

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE**

**CONSOLIDATED AND COMBINED  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016 AND 2015**

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
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DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
United Way of Central Alabama, Inc.

We have audited the accompanying financial statements of United Way of Central Alabama, Inc. and subsidiaries and affiliate (United Way) (a nonprofit organization), which comprise the consolidated and combined statement of financial position as of December 31, 2016, and the related consolidated and combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated and combined 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 consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Alabama, Inc. and subsidiaries and affiliate as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
United Way of Central Alabama, Inc.  
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### **Report on Summarized Comparative Information**

We have previously audited the United Way of Central Alabama, Inc. and subsidiaries and affiliate 2015 consolidated and combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying supplementary information, which includes the schedule of allocations to agencies by impact areas and schedule of expenditures of federal and nonfederal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the consolidated and combined 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 consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017, on our consideration of United Way of Central Alabama, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Central Alabama, Inc.'s internal control over financial reporting and compliance.

*Warren Averett, LLC*

Birmingham, Alabama  
August 22 2017

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015**

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ASSETS	2016	2015
Cash and cash equivalents	\$ 2,213,969	\$ 1,905,621
Restricted cash	8,736,756	9,750,907
Short-term investments	353,497	357,022
Due from agencies	113,348	161,480
Campaign pledges receivable – net:		
Current year	29,988,526	31,112,815
Prior year	1,873,573	2,477,634
	<hr/>	<hr/>
Grants receivable	3,822,717	2,925,053
Other current assets	1,469,591	1,421,526
Endowment receivables	103,286	98,856
Cash surrender value of life insurance	3,504,936	3,280,148
Long-term investments	30,276,191	30,083,667
Long-term pledges receivable	1,792,042	2,339,455
Investment property	1,040,000	1,040,000
Property and equipment – net	<hr/>	<hr/>
	5,268,787	5,715,650
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 90,557,219</b>	<hr/> <b>\$ 92,669,834</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,294,270	\$ 3,258,847
Due to agencies	8,668,626	9,232,658
Due to other United Way organizations	3,530,146	4,244,282
Pension and other postretirement benefits	3,097,554	3,373,385
Other liabilities	<hr/>	<hr/>
Total liabilities	20,834,165	22,294,998
<b>NET ASSETS</b>		
Unrestricted net assets:		
Undesignated	8,538,965	8,410,183
Board-designated	<hr/>	<hr/>
	23,092,402	21,572,943
	<hr/>	<hr/>
Temporarily restricted net assets	31,631,367	29,983,126
Permanently restricted net assets	<hr/>	<hr/>
	30,918,988	33,534,466
	<hr/>	<hr/>
Total net assets	7,172,699	6,857,244
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<hr/> <b>\$ 90,557,219</b>	<hr/> <b>\$ 92,669,834</b>

See notes to the consolidated and combined financial statements.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (SUMMARIZED DATA)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total All Funds</b>	
				<b>2016</b>	<b>2015</b>
<b>REVENUES AND OTHER SUPPORT</b>					
Campaign applicable to current period:					
Contributions recognized:					
Current period	\$ 1,578,674	\$ (438,050)	\$ -	\$ 1,140,624	\$ 1,247,252
Prior periods	36,923,758	(36,923,758)	-	-	-
Donor designations	(5,992,866)	5,745,321	-	(247,545)	(671,985)
Allowance for uncollectible pledges	(2,303,225)	2,428,518	-	125,293	(81,072)
<b>TOTAL CAMPAIGN FOR CURRENT PERIOD</b>	<b>30,206,341</b>	<b>(29,187,969)</b>	<b>-</b>	<b>1,018,372</b>	<b>494,195</b>
Campaign revenue recognized for future allocation period	-	35,590,301	-	35,590,301	37,361,808
Donor designations	-	(6,034,669)	-	(6,034,669)	(5,745,321)
Allowance for uncollectible pledges	-	(2,313,370)	-	(2,313,370)	(2,428,518)
<b>TOTAL CAMPAIGN FOR NEXT ALLOCATION PERIOD</b>	<b>-</b>	<b>27,242,262</b>	<b>-</b>	<b>27,242,262</b>	<b>29,187,969</b>
Campaign revenue recognized for future allocation periods	-	(713,945)	-	(713,945)	443,630
<b>TOTAL CAMPAIGN</b>	<b>30,206,341</b>	<b>(2,659,652)</b>	<b>-</b>	<b>27,546,689</b>	<b>30,125,794</b>
Grants and other restricted revenue	24,743,884	(1,774)	-	24,742,110	17,928,233
Disaster relief contributions	-	-	-	-	250,274
Excess revenue over pledge loss	673,367	-	-	673,367	1,121,942
Sales and service to the public	516,595	-	-	516,595	595,837
Endowment contributions/transfers	193,018	1,501	16,278	210,797	636,919
Net investment income (loss)	1,633,430	111,287	61,198	1,805,915	(324,625)
Gift-in-kind contributions	398,481	-	-	398,481	910,508
Campaign management fees	412,026	-	-	412,026	419,711
Initiative funding and transfers	1,204,125	(72,281)	4,830	1,136,674	411,255
Sponsorship revenue – direct projects	119,613	5,441	-	125,054	114,215
Change in cash surrender value of life insurance	-	-	233,149	233,149	268,760
Net gain on sale of property	224,263	-	-	224,263	-
Other	42,326	-	-	42,326	36,814
<b>TOTAL OTHER SUPPORT</b>	<b>30,161,128</b>	<b>44,174</b>	<b>315,455</b>	<b>30,520,757</b>	<b>22,369,843</b>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>60,367,469</b>	<b>(2,615,478)</b>	<b>315,455</b>	<b>58,067,446</b>	<b>52,495,637</b>

See notes to the consolidated and combined financial statements.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
CONSOLIDATED AND COMBINED STATEMENTS OF ACTIVITIES – CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (SUMMARIZED DATA)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total All Funds</b>	
				<b>2016</b>	<b>2015</b>
<b>EXPENSES</b>					
Allocations and community services:					
Funds allocated to partner agencies					
agencies, initiatives and programs	\$ 28,329,657	\$ -	\$ -	\$ 28,329,657	\$ 28,011,814
Other allocations	2,791,090	-	-	2,791,090	2,776,309
Less allocations funded					
through designations	(5,992,866)	-	-	(5,992,866)	(5,844,111)
Community and agencies services:					
Community services and disaster relief	3,375,020	-	-	3,375,020	4,701,134
Grant programs	24,796,930	-	-	24,796,930	17,342,372
Fund distribution	453,474	-	-	453,474	461,849
Sponsorship expenses – direct projects	113,413	-	-	113,413	92,261
Special events – net	30,396	-	-	30,396	46,427
<b>TOTAL ALLOCATIONS AND COMMUNITY SERVICES</b>	<b>53,897,114</b>	<b>-</b>	<b>-</b>	<b>53,897,114</b>	<b>47,588,055</b>
Fund-raising and administrative costs:					
Fund-raising	2,807,708	-	-	2,807,708	2,994,853
Administrative	1,974,989	-	-	1,974,989	1,855,259
<b>TOTAL FUND-RAISING AND ADMINISTRATIVE COSTS</b>	<b>4,782,697</b>	<b>-</b>	<b>-</b>	<b>4,782,697</b>	<b>4,850,112</b>
<b>TOTAL EXPENSES</b>	<b>58,679,811</b>	<b>-</b>	<b>-</b>	<b>58,679,811</b>	<b>52,438,167</b>
<b>EXCESS REVENUE (EXPENSE) FROM CURRENT OPERATIONS</b>					
	1,687,658	(2,615,478)	315,455	(612,365)	57,470
<b>PENSION-RELATED CHANGES OTHER THAN NET PERIODIC COSTS</b>	<b>(39,417)</b>	<b>-</b>	<b>-</b>	<b>(39,417)</b>	<b>472,942</b>
<b>CHANGES IN NET ASSETS</b>	<b>1,648,241</b>	<b>(2,615,478)</b>	<b>315,455</b>	<b>(651,782)</b>	<b>530,412</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>29,983,126</b>	<b>33,534,466</b>	<b>6,857,244</b>	<b>70,374,836</b>	<b>69,844,424</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 31,631,367</b>	<b>\$ 30,918,988</b>	<b>\$ 7,172,699</b>	<b>\$ 69,723,054</b>	<b>\$ 70,374,836</b>

See notes to the consolidated and combined financial statements.

**UNITED WAY OF CENTRAL ALABAMA, INC  
AND SUBSIDIARIES AND AFFILIATE  
CONSOLIDATED AND COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (SUMMARIZED DATA)**

	United Way Programs						<b>Total 2015</b>	
	Community Services and							
	<b>Fund-raising</b>	<b>Administrative</b>	<b>Fund Distribution</b>	<b>Disaster Relief</b>	<b>Grant Programs</b>	<b>Total 2016</b>		
Salaries	\$ 1,339,014	\$ 1,395,236	\$ 194,372	\$ 1,895,017	\$ 1,288,318	\$ 6,111,957	\$ 6,325,223	
Employee Benefits	357,958	360,584	36,947	432,993	260,989	1,449,471	1,497,170	
Payroll taxes	99,597	99,471	14,879	137,383	95,127	446,457	469,594	
<b>Total salaries and related expenses</b>	<b>1,796,569</b>	<b>1,855,291</b>	<b>246,198</b>	<b>2,465,393</b>	<b>1,644,434</b>	<b>8,007,885</b>	<b>8,291,987</b>	
Payments to affiliates	64,502	105,549	23,455	93,821	142,232	429,559	389,843	
Professional fees	9,572	230,369	26,307	54,138	117,216	437,602	471,625	
Supplies	116,199	37,227	6,846	79,469	20,615	260,356	368,549	
Telephone	15,363	51,768	1,908	15,061	6,358	90,458	133,206	
Postage and shipping	14,740	7,655	117	13,868	4,138	40,518	37,282	
Occupancy	10,199	34,353	23	337,780	250	382,605	385,231	
Rental & maintenance of equipment	17,696	76,478	12,036	12,911	4,953	124,074	122,582	
Printing & publications	353,951	2,842	757	481,358	2,487	841,395	1,307,436	
Travel	27,454	2,959	2,560	7,705	19,319	59,997	110,226	
Conferences, conventions and meetings	33,310	26,308	2,844	26,142	23,997	112,600	123,537	
Membership dues	4,983	8,111	745	49,764	100	63,703	58,451	
Miscellaneous	-	36,701	235	2,323	352	39,610	9,324	
Equipment & software	20,546	14,897	36	8,500	91,667	135,646	235,803	
Indirect costs	312,146	(587,609)	123,609	(965,394)	1,117,248	-	345,331	
Program services	-	2,682	-	253,116	21,601,566	21,857,364	14,499,033	
<b>TOTAL BEFORE DEPRECIATION</b>	<b>2,797,230</b>	<b>1,905,581</b>	<b>447,676</b>	<b>2,935,955</b>	<b>24,796,930</b>	<b>32,883,372</b>	<b>26,889,446</b>	
Depreciation of property and equipment	10,478	69,408	5,798	439,065	-	524,749	466,021	
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,807,708</b>	<b>\$ 1,974,989</b>	<b>\$ 453,474</b>	<b>\$ 3,375,020</b>	<b>\$ 24,796,930</b>	<b>\$ 33,408,121</b>	<b>\$ 27,355,467</b>	

See notes to the consolidated and combined financial statements.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (651,782)	\$ 530,412
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Amortization of long-term receivables	2,184	7,565
Depreciation	524,749	466,021
Net realized and unrealized (gain) loss on investments and endowment transfers	(1,795,132)	170,169
Net gain on disposal of property and equipment	(224,263)	-
Provision for (reduction in) allowance for uncollectible campaign pledges	85,421	(18,671)
Impairment loss on investment property	-	114,735
Gift-in-kind expense for contribution of property	310,000	-
Changes in:		
Campaign pledges receivable – net	1,642,929	(526,604)
Grants receivable	(897,664)	(1,185,568)
Endowment receivables	(4,430)	793
Other current assets	(48,065)	390,509
Long-term pledges receivable	545,229	(487,145)
Accounts payable and accrued expenses	35,423	(4,550)
Due to/from agencies, net	(515,900)	475,107
Due to other United Way organizations	(714,136)	(116,957)
Pension and other postretirement benefits	(275,831)	(806,388)
Other liabilities	<u>57,743</u>	<u>(271,858)</u>
Net cash used by operating activities	<u>(1,923,525)</u>	<u>(1,262,430)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,607,124	1,009,456
Purchases of investments	(991)	(6,206)
Increase in cash surrender value of life insurance	(224,788)	(233,013)
Purchases of property and equipment	<u>(163,623)</u>	<u>(1,746,864)</u>
Net cash provided by (used in) investing activities	<u>1,217,722</u>	<u>(976,627)</u>
<b>DECREASE IN CASH</b>		
	(705,803)	(2,239,057)
<b>CASH AT BEGINNING OF YEAR</b>	<u>11,656,528</u>	<u>13,895,585</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 10,950,725</u>	<u>\$ 11,656,528</u>
Cash	\$ 2,213,969	\$ 1,905,621
Restricted cash	<u>8,736,756</u>	<u>9,750,907</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 10,950,725</u>	<u>\$ 11,656,528</u>

See notes to the consolidated and combined financial statements.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

United Way of Central Alabama, Inc. (United Way or the Organization) is a voluntary health and welfare organization whose primary purpose is fundraising for Central Alabama (including the Alabama counties of Jefferson, Shelby, Walker, Blount and St. Clair) to support numerous not-for-profit agencies in the State of Alabama and other community projects. United Way also serves as a sponsor for several federal and state grant programs to fund services and needs in the community. Community Partnership of Alabama, Inc., Priority Veteran, Inc. and Meals on Wheels of Central Alabama (the subsidiaries) are supporting organizations of United Way. Hands on Birmingham, Inc. (the affiliate) is a volunteer resource for Central Alabama. Warren Real Estate, LLC (held rental property in prior year) was merged with United Way and dissolved in 2016. The activities and operations included in the accompanying consolidated and combined financial statements include those activities and operations over which United Way has oversight responsibility or for which United Way directly provides public services.

United Way also serves as the Principal Combined Fund Organization (PCFO) for the Combined Federal Campaign of Central Alabama (separate campaign conducted for federal employees). For the years ended December 31, 2016 and 2015, \$824,101 and \$783,428, respectively, was raised for this campaign and is included in the campaign results. United Way, as a federation, is honoring designations made to each member organization. In the normal course of its operations as a federation, United Way passed through \$31,046 and \$32,821, in service expenses to participating members in 2016 and 2015, respectively.

**Principles of Consolidation**

The accompanying consolidated and combined financial statements include the accounts of United Way; its subsidiaries, Community Partnership of Alabama, Inc., Priority Veteran, Inc., Meals on Wheels of Central Alabama and Warren Real Estate, LLC (2015); and its affiliate, Hands on Birmingham, Inc. All intercompany transactions have been eliminated upon consolidation and combination.

**Basis of Presentation**

The consolidated and combined financial statements reflect the accounts of United Way, exclusive of any agencies, which have their own independent board of directors and conduct independent service programs. The consolidated and combined financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with United Way's audited consolidated and combined financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of bank deposit accounts or money market funds. For purposes of cash flow, cash and cash equivalents and restricted cash are combined.

**Restricted Cash**

Cash required to be held in separate accounts is segregated in accordance with the specified guidelines. Restricted cash is held for grant-related programs, various corporate assistance programs and for cash restricted for use in future periods or held for payment to other United Way organizations. A corresponding liability of \$1,280,887 and \$1,599,455 is recorded in other liabilities for cash held for the grant-related programs and payable to other United Way organizations at December 31, 2016 and 2015, respectively.

**Investments**

Short-term investments include bank certificates of deposit and donated stock. The recorded values approximate fair value.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Long-term investments include equity securities and fixed income pooled bond funds primarily placed in a revocable trust fund recorded at fair value, based on the quoted market price of the underlying securities. Long-term investments also include certain investments in hedge funds, which are recorded at the estimated underlying net asset valuation for the fund for the units held.

Realized and unrealized gains and losses and investment earnings or losses are reflected in the consolidated and combined statements of activities. Investment income for which restrictions are met in the same reporting period are reported as unrestricted support. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

**Endowment Receivables**

United Way transfers certain endowment contributions to a local foundation for investment and management purposes and classifies such contributions based on donor intent as unrestricted, temporarily restricted or permanently restricted net assets. United Way is the beneficiary of the funds, which are available for distribution at the request of the Board of Directors of United Way (the Board) subject to donor restrictions.

**Property and Equipment**

Land, buildings and equipment having a unit cost of \$500 or more are capitalized at cost or, if contributed, at the estimated fair market value at the date of contribution. If donors stipulate how long-term assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over useful lives of 3 to 50 years. Repairs that do not extend the useful life of an asset are charged to expense as incurred.

**Net Assets**

United Way is required to report information regarding its financial position and results of operations according to three classes of net assets: permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. Permanently restricted net assets generally result from contributions and other receipts that are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Temporarily restricted net assets primarily result from contributions and other receipts that are subject to donor-imposed stipulations that either expire by the passage of time or are to be used for a specific purpose. Any remaining net assets are classified as unrestricted and are available for the general use of the Organization. Certain unrestricted net assets have been Board designated for specific projects or purpose.

**Donor Imposed Restrictions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods, or are restricted by the donor for specific purposes, are reported as temporarily restricted support and net assets. Funds to be held in perpetuity or permanent endowment funds are reported as permanently restricted support and net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

**Promises to Give/Pledges**

Unconditional promises to give that are expected to be collected within one year are recorded at their expected net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk free interest rate applicable to the year in which the promise is received.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

**Public Support and Revenue**

United Way's primary source of revenue is an annual fundraising campaign. United Way has the administrative responsibility of collecting the pledges and distributing proceeds to or on behalf of member organizations. All joint appeal proceeds and related fundraising costs are included in the consolidated and combined financial statements of United Way.

Pledges are recorded as received, and allowances are provided for amounts estimated to be uncollectible. In general, uncollected pledges are fully reserved by the end of the second year following the year in which payment is expected, and the pledges are recognized in revenues. Pledges designated for specific agencies and pledges for organizations out of the service area are reported as donor designations and a reduction to the applicable year campaign revenue, as they represent 'pass-through' funds and are not revenue for United Way.

United Way has the responsibility of processing work place campaigns for companies having regional and/or national work locations and whose headquarters are based in the Central Alabama region. Recognizing that other local United Way organizations are primarily involved with the direct solicitation of these respective company locations, United Way does not include the campaign results from these locations in the campaign revenue.

Grant revenues are recorded as unrestricted revenues in the year the expenditures are incurred. Endowment contributions and investments are permanently restricted by the donor.

**Campaign and Advertising Expenses**

Campaign and advertising expenses are charged to expense as incurred. Advertising costs were approximately \$743,000 and \$1,139,000 (including gift-in-kind expense for media services (Note 12) of \$376,000 and \$831,000) for the years ended December 31, 2016 and 2015, respectively.

**Allocation of Expenses**

United Way allocates certain fundraising and administrative expenses and depreciation and amortization to programs generally based on personnel, square footage and actual usage.

**Tax Status**

United Way and its' subsidiaries and affiliate are exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. United Way has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

United Way is required to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. United Way has determined that it does not have any positions at December 31, 2016 or 2015, that it would be unable to substantiate. United Way has filed its not-for-profit tax returns for all years through December 31, 2015. Years ended December 31, 2013 and subsequent remain subject to audit by taxing authorities.

**Reclassifications**

Certain 2015 amounts have been reclassified to conform to the 2016 presentation. The reclassifications had no effect on previously reported financial operating results.

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

### **Fair Value Measurements**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. The fair value guidance established three categories within a fair value hierarchy, based on the reliability of inputs used in measuring fair value, as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities and default rates, and inputs that are derived principally from or corroborated by observable market data.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

A financial instrument's categorization within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Additional guidance is available for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability, including guidance on circumstances that may indicate that a transaction is not orderly and requires additional disclosures about fair value measurements.

Some of the Organization's financial instruments are not measured at fair value on a recurring basis. However, these instruments are carried at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include campaign pledges receivable, grants receivable and accounts payable.

### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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.

Investments in securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, which could materially affect United Way's net assets.

### **Subsequent Events**

Management has evaluated subsequent events and their potential effects on these consolidated and combined financial statements through August 22, 2017, which is the date these consolidated and combined financial statements were available to be issued. See Note 18 for subsequent events disclosures.

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**2. PLEDGES RECEIVABLE**

**Campaign Pledges Receivable – Net (Current Year)**

Included in pledges receivable are the following unconditional promises to give at December 31:

	<b>2016</b>	<b>2015</b>
Current campaign:		
Undesignated	\$ 28,703,287	\$ 30,895,890
Designated	6,996,196	6,654,216
Processed on behalf of other United Way organizations	<u>2,612,838</u>	<u>2,688,518</u>
Gross unconditional pledges	38,312,321	40,238,624
Cash collected during campaign	<u>(6,010,425)</u>	<u>(6,697,291)</u>
Pledges receivable – current year	32,301,896	33,541,333
Allowance for uncollectible pledges	<u>(2,313,370)</u>	<u>(2,428,518)</u>
	<b>\$ 29,988,526</b>	<b>\$ 31,112,815</b>

United Way accrues certain additional pledges received for the annual campaign year for which the actual documentation is received after December 31. Based on timing and volume of pledges for contributing companies and other agencies processing contributions, United Way receives the physical documents following the close of campaign activities. Documentation received after year end supporting pledges made before year end totaled approximately \$768,000 and \$438,000 at December 31, 2016 and 2015, respectively.

**Campaign Pledges Receivable – Net (Prior Years)**

Prior year pledges receivable are reported net of the allowance for uncollectible pledges of \$2,505,922 and \$2,682,657 for the years ended December 31, 2016 and 2015, respectively.

**Long-Term Pledges Receivable**

Long-term pledges receivable consist of initiative pledges, endowment pledges and campaign pledges to be collected over a period of 5 to 10 years, with up to four years remaining at December 31, 2016. The related unamortized discount has been calculated using the U.S. Treasury Bill rate over the life of each individual pledge.

These amounts consist of the following at December 31:

	<b>December 31, 2016</b>		
	<b>Pledge</b>	<b>Unamortized Discount</b>	<b>Discounted Pledge</b>
Campaign	\$ 1,540,199	\$ -	\$ 1,540,199
Endowment	<u>257,442</u>	<u>5,599</u>	<u>251,843</u>
	<b><u>\$ 1,797,641</u></b>	<b><u>\$ 5,599</u></b>	<b><u>\$ 1,792,042</u></b>

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**2. PLEDGES RECEIVABLE – CONTINUED**

	December 31, 2015			
	<b>Pledge</b>	<b>Unamortized Discount</b>	<b>Discounted Pledge</b>	<b>Interest Rate</b>
Campaign Endowment	\$ 2,045,264 <u>301,974</u>	\$ 3,837 <u>3,946</u>	\$ 2,041,427 <u>298,028</u>	Various Various
	<u>\$ 2,347,238</u>	<u>\$ 7,783</u>	<u>\$ 2,339,455</u>	

Included in endowment receivables are the premiums expected to be paid on life insurance policies with total face values approximating \$20.6 and \$20.4 million at December 31, 2016 and 2015, respectively, in which United Way is the owner and beneficiary.

The following table summarizes current and long-term pledge receivables, before reduction for the allowance for uncollectible pledges at December 31.

	<b>2016</b>	<b>2015</b>
Amounts due in:		
Less than one year	\$ 4,379,494	\$ 5,521,622
One to five years	<u>34,093,939</u>	<u>35,519,457</u>
	<u>\$ 38,473,433</u>	<u>\$ 41,041,079</u>

**3. GRANTS RECEIVABLE**

Grants receivable consist of the following amounts at December 31:

	<b>2016</b>	<b>2015</b>
U.S. Department of Health & Human Services:		
Ryan White Title II	\$ 3,041,000	\$ 2,543,435
Area Agency on Aging	268,244	-
U.S. Department of Veteran Affairs:		
Supportive Services for Veteran Families	183,546	166,988
U.S. Department of Labor:		
Workforce Investment Board	88,519	151,396
Birmingham REACH for Better Health	11,755	9,100
Department of Housing & Urban Development: HUD	143,303	-
U.S. Department of Education: GEAR-UP	29,007	-
Alabama Department of Education:		
Walker 21 <sup>st</sup> Century Community Learning	46,437	-
Alabama Department of Transportation:		
Alabama Partnership for Clean Air	10,906	30,184
Appalachian Regional Commission	-	23,950
	<u>\$ 3,822,717</u>	<u>\$ 2,925,053</u>

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#### **4. ENDOWMENTS**

United Way's invested endowment consists of 45 to 50 separate funds established for a variety of purposes. Its endowment includes donor-restricted funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, United Way 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by United Way in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of United Way and (g) United Way's investment policies.

#### **Investment Return, Objectives, Risk Parameters and Strategies**

United Way has adopted investment criteria, approved by the Board, for endowment assets to ensure that inherent investment risks are reasonably and prudently managed. The assets are held in three different asset classes: cash and short-term fixed income, fixed income and growth assets.

The cash and short-term fixed income pool is designed to provide United Way with a high level of liquidity and safety. This allocation will consist of 100% of the current budget year investment income budget along with 50% of the year two budget. This pool will be invested in pooled vehicles offering daily liquidity with duration of one year or less. The average credit quality of the vehicle should be AA or better. The fixed income pool is intended to provide further protection (in addition to the cash and short-term fixed income pool) for future investment income budget years. This allocation will consist of 50% of the year two income budget along with 100% of the year three income budget. The aggregate duration of any fixed income portfolio shall not be less than 75%, or greater than 125% of the duration of the chosen index. It is expected that approximately 50% of the fixed income allocation will be invested in enhanced cash fixed income with a maturity focus of one to three years, with the remaining 50% invested in core fixed income that will be longer in duration. The growth assets pool is designed to provide United Way with inflation protection and provide for the long-term growth of the investment program. This allocation will consist of all assets not specifically designated for the cash and short-term and fixed income pools. The growth assets pool shall include (but is not limited to) the following asset classes: domestic equities pool, global equity pool and alternative investments.

#### **Spending Policy**

The endowment's spending policy allows an agency or program to plan and budget its income from the endowment fund. In addition, the policy enables the endowment fund to build its assets, thus building for additional income in future years. Each year, United Way will distribute up to 5% of the 16-quarter moving average of the market value of the endowment fund's total assets.

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**4. ENDOWMENTS – CONTINUED**

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<b>Total Net Endowment Assets</b>
Donor-restricted endowment funds	\$ 362,305	\$ 696,040	\$ 7,172,699	\$ 8,231,044
Undesignated endowment funds	<u>7,104,659</u>	-	-	<u>7,104,659</u>
<b>Total funds</b>	<b><u>\$ 7,466,964</u></b>	<b><u>\$ 696,040</u></b>	<b><u>\$ 7,172,699</u></b>	<b><u>\$ 15,335,703</u></b>

Changes in endowment net assets as of December 31, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<b>Total Net Endowment Assets</b>
Endowment net assets at beginning of year	\$ 7,152,620	\$ 584,453	\$ 6,839,239	\$ 14,576,312
Contributions	291,555	-	16,278	307,833
Investment income	158,183	42,428	22,275	222,886
Net appreciation	317,248	83,543	277,285	678,076
Amounts appropriated for expenditures	(43,352)	(34,319)	-	(77,671)
Fund transfer / in transit	(371,547)	30,585	22,836	(318,126)
Fees	<u>(37,743)</u>	<u>(10,650)</u>	<u>(5,214)</u>	<u>(53,607)</u>
<b>Endowment net assets at end of year</b>	<b><u>\$ 7,466,964</u></b>	<b><u>\$ 696,040</u></b>	<b><u>\$ 7,172,699</u></b>	<b><u>\$ 15,335,703</u></b>

Endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<b>Total Net Endowment Assets</b>
Donor-restricted endowment funds	\$ 11,235	\$ 584,453	\$ 6,839,239	\$ 7,434,927
Undesignated endowment funds	<u>7,141,385</u>	-	-	<u>7,141,385</u>
<b>Total funds</b>	<b><u>\$ 7,152,620</u></b>	<b><u>\$ 584,453</u></b>	<b><u>\$ 6,839,239</u></b>	<b><u>\$ 14,576,312</u></b>

Changes in endowment net assets as of December 31, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<b>Total Net Endowment Assets</b>
Endowment net assets at beginning of year	\$ 7,510,748	\$ 658,480	\$ 6,082,395	\$ 14,251,623
Contributions	169,817	-	507,147	676,964
Investment income	159,322	38,142	20,052	217,516
Net appreciation	(189,626)	(52,505)	243,399	1,268
Amounts appropriated for expenditures	(439,448)	(19,666)	-	(459,114)
Fund transfer / in transit	(18,220)	(30,585)	(8,851)	(57,656)
Fees	<u>(39,973)</u>	<u>(9,413)</u>	<u>(4,903)</u>	<u>(54,289)</u>
<b>Endowment net assets at end of year</b>	<b><u>\$ 7,152,620</u></b>	<b><u>\$ 584,453</u></b>	<b><u>\$ 6,839,239</u></b>	<b><u>\$ 14,576,312</u></b>

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## **5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<b>2016</b>	<b>2015</b>
Land	\$ 503,578	\$ 545,578
Building and improvements	6,878,207	6,959,206
Furniture, fixtures and equipment	<u>1,423,264</u>	<u>1,265,395</u>
	8,805,049	8,770,179
Less accumulated depreciation	<u>3,536,262</u>	<u>3,054,529</u>
	<u>\$ 5,268,787</u>	<u>\$ 5,715,650</u>

Depreciation expense was \$524,749 and \$466,021 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, the estimated cost-to-complete construction-in-progress was approximately \$74,000.

## **6. INVESTMENTS**

The following summarizes the aggregate carrying amount of short- and long-term investments by major type:

	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
	<b>Cost</b>	<b>Market</b>	<b>Cost</b>	<b>Market</b>
Certificates of deposit	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Equity securities	20,960,031	24,170,933	19,734,279	22,161,193
U.S Government obligations	594,513	606,357	853,969	895,198
Mortgage backed securities	595,564	630,412	624,843	658,586
Municipal obligations	3,405	8,435	13,591	19,078
Corporate bonds	1,489,812	1,561,497	1,755,616	1,805,693
Fixed income mutual funds	22,987	56,933	38,056	53,418
International funds	21,883	54,197	85,208	119,604
Pooled bond funds	-	-	1,204,765	1,067,787
Alternative investments	<u>2,172,814</u>	<u>3,190,924</u>	<u>2,216,374</u>	<u>3,310,132</u>
	<u>\$ 26,211,009</u>	<u>\$ 30,629,688</u>	<u>\$ 26,876,701</u>	<u>\$ 30,440,689</u>

Investment return is reported net of investment expenses of approximately \$34,000 and \$41,000 in 2016 and 2015, respectively. The following summarizes investment return and its classification:

	<b>Year Ended December 31, 2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals</b>
Investment income	\$ 542,768	\$ 31,779	\$ 17,062	\$ 591,609
Net realized and unrealized gains (losses)	<u>1,090,662</u>	<u>79,508</u>	<u>44,136</u>	<u>1,214,306</u>
	<u>\$ 1,633,430</u>	<u>\$ 111,287</u>	<u>\$ 61,198</u>	<u>\$ 1,805,915</u>

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**6. INVESTMENTS – CONTINUED**

	<b>Year Ended December 31, 2015</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Totals</b>
Investment income	\$ 530,012	\$ 28,730	\$ 15,147	\$ 573,889
Net realized and unrealized gains (losses)	<u>(817,391)</u>	<u>(55,762)</u>	<u>(25,361)</u>	<u>(898,514)</u>
	<u><u>\$ (287,379)</u></u>	<u><u>\$ (27,032)</u></u>	<u><u>\$ (10,214)</u></u>	<u><u>\$ (324,625)</u></u>

The Organization holds certain alternative investments (hedge funds) as reported above at December 31, 2016 and 2015. These alternative investments consist primarily of three hedge funds, which are limited partnerships or similar arrangements. The hedge fund investments are fund-of-funds investments and, accordingly, due to the structure, flexibility and lower level of regulatory oversight, may create additional exposure to investment risk. The fund managers hold these unrated investments, which consist primarily of long/short equity investments and specific hedging strategies that deal with distressed/restructurings and capital structure arbitrage.

Certain hedge funds had initial lock up periods, which have expired. Hedge fund balances totaling approximately \$3,100,000 at December 31, 2016, are subject to a 60-day notice for redemption; the remainder of the balances may be redeemed at their redemption value at or near the reporting date.

**Investment Property**

United Way holds an investment property that was donated in 2009 and is recorded at \$1,040,000 at December 31, 2016 and 2015, respectively, based on current appraised values. United Way obtained an updated appraisal in April 2016 and recorded an unrealized loss of \$114,735 in 2015 to adjust the property value to fair market value. The investment property was leased to a tenant under a 10-year lease in 2014.

**7. FAIR VALUE MEASUREMENTS**

The following methods and assumptions were used by the Organization to estimate the fair value of each class of financial instruments using the fair value hierarchy described in Note 1:

The fair value of investments is based on observable inputs, such as quoted prices in active markets or other than quoted prices in active markets that are observable either directly or indirectly. Investments with values based on quoted market prices in active markets are classified by the Organization as Level 1 and include certificates of deposit and mutual funds. The mutual funds are exchange traded funds and legally and contractually redeem their outstanding shares at net asset value.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2 by the Organization and include fixed income securities and pooled investment funds that are valued at the redemption value of units held based on the underlying assets and liabilities. Investments in the pool include equity securities, fixed income securities, hedge funds, real estate funds and commodities funds.

Investments with values based on unobservable inputs in which there is little or no market data are classified as Level 3 by the Organization and include hedge funds and investment property. Hedge funds are valued at the redemption value of units held based on the underlying assets and liabilities and include equity securities, fixed income securities, real estate funds, commodities funds and other types of nontraditional investments.

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**7. FAIR VALUE MEASUREMENTS – CONTINUED**

The fair values of these investments are estimated based on a review of available information provided by the fund managers, which may include audited financial statements. Investment property is valued using the current appraised fair market value. These fair value estimates are evaluated on a regular basis and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

The fair values of assets measured on a recurring basis at December 31 are as follows:

	December 31, 2016			
	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 350,000	\$ 350,000	\$ -	\$ -
Equity securities	24,170,933	24,170,933	-	-
U.S Government obligations	606,357	31,629	574,728	-
Mortgage backed securities	630,412	33,738	596,674	-
Municipal obligations	8,435	8,435	-	-
Corporate bonds	1,561,497	80,128	1,481,369	-
Fixed income mutual funds	56,933	56,933	-	-
International funds	54,197	54,197	-	-
Alternative investments (a)	3,190,924	-	-	-
Investment property	1,040,000	-	-	1,040,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 31,669,688	\$ 24,785,993	\$ 2,652,771	\$ 1,040,000

	December 31, 2015			
	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 350,000	\$ 350,000	\$ -	\$ -
Equity securities	22,161,193	22,161,193	-	-
U.S Government obligations	895,198	80,127	815,071	-
Mortgage backed securities	658,586	64,865	593,721	-
Municipal obligations	19,078	19,078	-	-
Corporate bonds	1,805,693	164,070	1,641,623	-
Fixed income mutual funds	53,418	53,418	-	-
International funds	119,604	119,604	-	-
Pooled bond funds	1,067,787	1,067,787	-	-
Alternative investments (a)	3,310,132	-	-	-
Investment property	1,040,000	-	-	1,040,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 31,480,689	\$ 24,080,142	\$ 3,050,415	\$ 1,040,000

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items in the statements of net assets available for benefits.

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**7. FAIR VALUE MEASUREMENTS – CONTINUED**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Investment Property		Total
January 1, 2015:			
Total unrealized gains (losses)	\$ 1,154,735	\$ (114,735)	\$ 1,154,735
Total realized gains (losses)	-	-	-
Purchases and issuances	-	-	-
Settlements	-	-	-
December 31, 2015:			
Total unrealized gains (losses)	1,040,000	-	1,040,000
Total realized gains (losses)	-	-	-
Purchases and issuances	-	-	-
Settlements	-	-	-
December 31, 2016	\$ 1,040,000	\$ 1,040,000	\$ 1,040,000

For investments in alternative investment funds, measured at net asset value (NAV), the funds are subject to a 60-day period for notice of redemption and funds are available annually on December 31 each year, since the initial two year lock-up period for such investment funds has expired.

Gains and losses (realized and unrealized) included in changes in net assets investments (Level 3) for the years ended December 31, 2016 and 2015, are reported in investment income as follows:

	December 31, 2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Total unrealized gains (losses) included in changes in net assets for the year	\$ -	\$ -	\$ -
Change in unrealized gains (losses) relating to assets still held at year end	\$ -	\$ -	\$ -
December 31, 2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	
Total unrealized gains (losses) included in changes in net assets for the year	\$ (114,735)	\$ -	\$ -
Change in unrealized gains (losses) relating to assets still held at year end	\$ (114,735)	\$ -	\$ -

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**8. BOARD-DESIGNATED FUNDS AND TEMPORARILY RESTRICTED NET ASSETS**

United Way has unrestricted net assets that have been designated for a particular use by the Board, which are reported as a component of unrestricted net assets. Contributions that are restricted in their use by the donor of the funds are donor-restricted assets and are included in temporarily or permanently restricted assets (Note 9).

Board designated net assets are available for the following purposes at December 31:

	<b>2016</b>	<b>2015</b>
Capital improvements	\$ 466,435	\$ -
Contingencies	6,970,393	6,788,785
Self-insurance reserve	1,248,634	1,200,363
Endowment	7,466,963	7,161,684
Community impact	6,939,977	6,422,111
	<hr/>	<hr/>
	<hr/> <u>\$ 23,092,402</u>	<hr/> <u>\$ 21,572,943</u>

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

	<b>2016</b>	<b>2015</b>
Purpose restrictions:		
Youth initiatives	\$ 188,637	\$ 290,673
Day of Service sponsorship	73,268	13,500
Sponsorship programs	552,789	547,348
Endowments	696,040	615,038
Disaster relief	668,895	668,896
Time restrictions:		
Net campaign for future years	<u>28,739,359</u>	<u>31,399,011</u>
	<hr/>	<hr/>
	<hr/> <u>\$ 30,918,988</u>	<hr/> <u>\$ 33,534,466</u>

**9. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investments in perpetuity. Income from investments is expendable to support donor requests. Investment income from restricted net assets can be used to support the following:

	<b>December 31, 2016</b>				
	<b>Opening Balance</b>	<b>Net Contributions</b>	<b>Unamortized Discount</b>	<b>Earned</b>	<b>Ending Balance</b>
Campaign	\$ 2,938,408	\$ 12,500	\$ -	\$ 42,770	\$ 2,993,678
Legacy	3,918,836	8,608	-	251,577	4,179,021
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/> <u>\$ 6,857,244</u>	<hr/> <u>\$ 21,108</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 294,347</u>	<hr/> <u>\$ 7,172,699</u>

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**9. PERMANENTLY RESTRICTED NET ASSETS – CONTINUED**

	December 31, 2015				
	Opening Balance	Net Contributions	Unamortized Discount	Earned	Ending Balance
Campaign Legacy	\$ 2,440,653 3,641,742	\$ 504,949 11,353	\$ - -	\$ ( 7,194) 265,741	\$ 2,938,408 3,918,836
	<u>\$ 6,082,395</u>	<u>\$ 516,302</u>	<u>\$ -</u>	<u>\$ 258,547</u>	<u>\$ 6,857,244</u>

**10. NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the years ended December 31:

	<b>2016</b>	<b>2015</b>
Time restrictions:		
Campaign pledges (net of designations and allowances) received for future periods	\$ 29,187,969	\$ 28,977,126
Purpose restrictions:		
Matching Funds	-	121,744
Youth initiatives	(102,036)	179,780
Sponsorship programs	<u>119,614</u>	<u>97,261</u>
	<u>\$ 29,205,547</u>	<u>\$ 29,375,911</u>

**11. ALLOCATIONS, GRANTS UNDER MANAGEMENT AND COMMUNITY SERVICES**

**Allocations and Grants under Management**

In 2016, allocations and grants under management invested in the community (classified by impact area) are as follows:

Impact Areas	Allocations to Partner Agencies	Special Designations to Partner Agencies and Initiatives	Other Allocations	Grants under Management	Amount	Percent
Health	\$10,335,039	\$ 10,973	\$ 285,134	\$ 20,906,774	\$31,537,920	56.40%
Education	6,314,351	55,558	320,000	470,915	7,160,824	12.81%
Income	7,576,945	242,608	10,000	2,849,485	10,679,038	19.09%
Crisis/access to services	3,378,309	373,114	11,593	569,756	4,332,772	7.75%
Other	-	42,760	2,164,363	-	2,207,123	3.95%
	<u>\$27,604,644</u>	<u>\$ 725,013</u>	<u>\$2,791,090</u>	<u>\$ 24,796,930</u>	<u>\$55,917,677</u>	<u>100.00%</u>

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**11. ALLOCATIONS, GRANTS UNDER MANAGEMENT AND COMMUNITY SERVICES – CONTINUED**

In 2015, allocations and grants under management invested in the community (classified by impact area) are as follows:

Impact Areas	Allocations to Partner Agencies	Special Designations to Partner Agencies and Initiatives	Other Allocations	Grants under Management	Amount	Percent
Health	\$10,253,667	\$ 21,291	\$ 263,899	\$ 14,327,238	\$24,866,095	51.05%
Education	6,369,978	258,698	320,000	457,232	7,405,908	15.20%
Income	7,550,470	68,624	-	3,136,025	10,755,119	22.08%
Crisis/access to services	3,373,617	72,261	21,381	3,493	3,470,752	7.12%
Other	-	43,208	2,171,029	-	2,214,237	4.55%
	<b>\$27,547,732</b>	<b>\$ 464,082</b>	<b>\$2,776,309</b>	<b>\$ 17,923,988</b>	<b>\$48,712,111</b>	<b>100.00%</b>

**Community Services**

United Way provides building space, data processing and accounting services for certain agencies. Revenue from sales and services to the public includes bookkeeping, administrative and rental income for agencies of approximately \$168,000 and \$335,000 in 2016 and 2015, respectively. The costs of such services, including depreciation, were approximately \$242,000 and \$184,000 in 2016 and 2015, respectively. United Way held cash at December 31, 2016 and 2015, of approximately \$94,000 and \$70,000, respectively, in conjunction with services provided for agencies.

United Way pays certain expenses and administers grant receipts on behalf of these agencies in providing the above-mentioned services. The agencies subsequently reimburse United Way for these expenses, usually within the next month. There is a net receivable from these agencies of approximately \$200,000 and \$323,000 at December 31, 2016 and 2015, respectively, which is netted in due to agencies.

**12. CONTRIBUTED SERVICES**

Employees of local companies and other organizations participating in United Way's Loaned Executive Program volunteered approximately 15,080 and 15,680 hours, with an approximate fair value of \$364,031 and \$369,420 not recognized as revenue for the years ended December 31, 2016 and 2015, respectively. The Loaned Executives assist United Way during the annual campaign.

United Way received contributed services for training the Loaned Executives and other campaign expenses of approximately \$376,000 and \$864,000 for the years ended December 31, 2016 and 2015, respectively. The amounts include a gift-in-kind for media services of approximately \$376,000 and \$831,000 for the years ended December 31, 2016 and 2015, respectively, based on an allocation provided from United Way Worldwide for services provided to United Way of Central Alabama's market area. These contributed services are reported as gift-in-kind revenue and functional expenses.

In addition, United Way contributed property, consisting of land and a building, to a local nonprofit agency during 2016 and recorded a gift-in-kind expense of \$310,000, which represents the fair market value of the property at the date of the donation (reported in other allocations expenses).

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**12. CONTRIBUTED SERVICES – CONTINUED**

Additionally, people across the community participated in United Way's Visiting Allocation Team (VAT) process volunteering approximately 5,720 and 5,610 hours, with an approximate fair value of \$138,000 and \$132,000 for the years ended December 31, 2016 and 2015, respectively. VAT members review allocation requests from United Way agency partners, participate in site visits to assess programs from a community perspective and make recommendations on funding.

**13. SALES, FINANCE AND ADMINISTRATION CALCULATION**

The United Way sales, finance and administration (SF&A) ratio percentage reflects the costs incurred for raising campaign revenues. The SF&A ratio percentage as shown below is calculated by dividing fundraising and administrative costs obtained from the consolidated and combined statements of activities and functional expenses reduced by revenue generated by the respective areas by total campaign revenue announced for the current campaign year.

	<b>2016</b>	<b>2015</b>
Fundraising expenses	\$ 2,807,708	\$ 2,994,853
Administrative expenses	1,974,763	1,855,259
Fundraising and administrative revenues	(846,754)	(933,785)
Less expenses funded from other sources for:		
Planned giving	(467,979)	(473,022)
Strategic plan	(201,243)	(179,455)
Numerator	<u>\$ 3,266,495</u>	<u>\$ 3,263,850</u>
Campaign revenue announced/Denominator	<u>\$ 39,000,612</u>	<u>\$ 38,801,031</u>
SF&A	<u>8.38%</u>	<u>8.40%</u>

**14. EMPLOYEE BENEFIT PLANS**

**Defined Benefit Pension Plan**

United Way sponsors a noncontributory defined benefit pension plan covering substantially all full-time employees. The benefits for this plan are based on the employees' final average earnings, as defined in the plan agreement, and years of service. United Way's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only benefits attributed to service, but also for those expected to be earned in the future.

**Defined Benefit Postretirement Health Care Plan**

United Way sponsors a defined benefit postretirement health care plan (the Plan) for eligible employees. The Plan covers retirees with fifteen years of continuous service with United Way and / or a member agency, who are a United Way of Central Alabama, Inc. employee at time of retirement and who are age 55 or over, as well as eligible spouses. The plan is contributory for retirees, with reduced premiums for eligible employees. The Plan is not funded; however, United Way has set aside funds under the oversight of the Investment Committee for the Plan (reported as board designated net assets / Note 8).

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**14. EMPLOYEE BENEFIT PLANS – CONTINUED**

**Obligations and Funded Status**

The annual measurement date is December 31 for both the pension and postretirement benefit plans. The following tables provide further information about pension benefits and postretirement benefits for the years ended December 31:

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Benefit obligations at beginning of year	\$ (10,416,770)	\$ (10,570,774)	\$ (862,531)	\$ (770,804)
Service cost	(556,080)	(549,766)	(112,447)	(112,859)
Interest cost	(437,758)	(415,269)	(38,559)	(32,087)
Change due to assumption change(s)	(204,404)	737,137	-	-
Actuarial gain (loss)	95,403	2,966	-	33,043
Expense charges	34,821	36,543	-	-
Benefits paid	366,004	342,393	11,348	20,176
<b>Benefit obligations at December 31</b>	<b>(11,118,784)</b>	<b>(10,416,770)</b>	<b>(1,002,189)</b>	<b>(862,531)</b>
Fair value of plan assets at beginning of year	7,905,916	7,161,805	-	-
Actual return on plan assets	470,007	32,730	-	-
Employer contributions	1,048,321	1,090,317	-	-
Annuities purchased or benefits paid	(400,825)	(378,936)	-	-
Fair value of plan assets at December 31	9,023,419	7,905,916	-	-
<b>Funded status</b>	<b>\$ (2,095,365)</b>	<b>\$ (2,510,854)</b>	<b>\$ (1,002,189)</b>	<b>\$ (862,531)</b>
Amounts recorded at December 31 consist of:				
Pension liability	\$ (2,095,365)	\$ (2,510,854)	\$ -	\$ -
Postretirement liability	-	-	(1,002,189)	(862,531)
<b>Totals</b>	<b>\$ (2,095,365)</b>	<b>\$ (2,510,854)</b>	<b>\$ (1,002,189)</b>	<b>\$ (862,531)</b>
<b>Pension Benefits</b>				
		<b>2016</b>	<b>2015</b>	
<b>Changes in Funded Status</b>				
Amounts recognized consist of:				
Service cost	\$ 556,080	\$ 549,766	\$ 112,447	\$ 112,859
Interest cost	437,758	415,269	38,559	32,087
Expected return on plan assets	(555,502)	(526,224)	-	-
Amount of recognized actuarial (gain) losses	155,079	226,333	-	(33,043)
Net periodic benefit cost	593,415	665,144	151,006	111,903
Pension-related changes other than net periodic cost	39,417	(472,942)	-	-
	632,832	192,202	151,006	111,903
Less employer contributions	1,048,321	1,090,317	11,348	20,176
Change in Funded Status- (increase) decrease	<b>\$ (415,489)</b>	<b>\$ (898,115)</b>	<b>\$ 139,658</b>	<b>\$ 91,727</b>

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**14. EMPLOYEE BENEFIT PLANS – CONTINUED**

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Amounts previously recognized in unrestricted net assets, not yet recognized as net periodic pension cost at December 31 consist of:				
Unrecognized actuarial loss	\$ 2,402,937	\$ 2,363,520	\$ -	\$ -

United Way had board designated assets set aside for the purpose of funding the plans of \$637,343 and \$605,160 for the pension plan and \$527,468 and \$710,548 for the postretirement plan at December 31, 2016 and 2015, respectively.

**Plan Assets**

The benefit plan's asset allocations at December 31, 2016 and 2015, by asset category are as follows:

	<b>Pension Benefits</b>	
	<b>2016</b>	<b>2015</b>
Equity securities	46.38%	45.71%
Fixed income debt securities	19.10%	20.90%
General account	34.52%	33.39%
Totals	100.00%	100.00%

United Way's investment strategy is to minimize risk and maximize returns for the pension plan's assets. The target asset allocation is 50% equities and 50% debt securities/money market. The maximum exposure for equity investments is limited to 70%. The pension plan assets are managed by professional investment managers and are monitored by management and United Way's Board and Investment Committee.

There are no plan assets for the postretirement benefit plans for 2016 or 2015. No pension plan assets are expected to be returned to United Way during 2016.

The following benefit payments, which reflect approximate expected future service, as appropriate, are expected to be paid:

	<b>Pension Benefits</b>	<b>Postretirement Benefits</b>
2017	\$ 1,731,000	\$ 38,800
2018	716,000	32,300
2019	753,000	49,700
2020	258,000	51,700
2021	803,000	46,400
Years 2022-2026	4,670,000	355,200
Totals	\$ 8,931,000	\$ 574,100

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**14. EMPLOYEE BENEFIT PLANS – CONTINUED**

**Assumptions**

Weighted-average assumptions used in the accounting for United Way's pension and postretirement benefit plans were:

	<b>Pension Benefits</b>		<b>Postretirement Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate:				
Pre-Retirement	4.00%	4.10%	4.50%	4.25%
Post-Retirement	5.50%	5.75%	4.50%	4.25%
Rate of compensation increase	5.00%	4.00%	N/A	N/A
Medical trend rate:				
Year 1			5.6%	14.69%
Year 2			5.4%	5.6%
Year 3			5.4%	5.4%
Year 4			5.3%	5.4%
Year 5			5.3%	5.3%
Thereafter			5.2%-5.00%	5.2%-5.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

Discount rate	4.10%	3.80%	4.50%	4.25%
Expected long-term return on plan assets	6.75%	7.00%	N/A	N/A
Rate of compensation increase for past	5.00%	5.00%	N/A	N/A
Rate of compensation increase for future	4.00%	4.00%	N/A	N/A

The assumption regarding the expected long-term rate of return on plan assets of 6.75% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations. Based on United Way's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 3.5% was selected and added to the real rate of return range to arrive at a best estimate range of 6.30%-8.46%. A rate within the best estimate range of 6.75% was selected.

Mortality for the Pension Plan was determined using the Adjusted RP-2014 Total Dataset Employee Table, separate for Males and Females with Mortality Improvement Projection by Scale MP-2016 (RP-2014 Total Dataset Employee Table, separate for Males and Females with Mortality Improvement Projection by Scale MP-2015 for 2015). Postretirement mortality was determined using the 2016 and 2015 Unisex Mortality Table specified in IRS Notice 2013-49 and IRS Notice 2013-53, respectively.

For postretirement benefit measurement purposes, mortality is determined using RP-2014 and the initial annual rate of increase (decrease) in the per capita cost of covered health care benefits is developed using the sum of per capita stop loss rates and retiree per capita premium rates developed by the organization that administers the benefits for United Way. The actuarially estimated impact of a 1% change in health care cost trend assumption for service and interest costs, using a current trend of \$127,342 is \$151,006 for a 1% increase and \$180,065 for a 1% decrease.

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#### **14. EMPLOYEE BENEFIT PLANS – CONTINUED**

##### **Cash Flows**

United Way expects to contribute approximately \$707,000 to its pension plan and \$29,100 to its postretirement plan in 2017.

##### **Self-Insured Health Benefit Plan**

United Way provides a partially self-insured health benefit plan for the benefit of all employees who voluntarily elect to participate in the plan of United Way and affiliated agencies (who contract with United Way to participate in the plan). The plan includes defined benefits for medical, dental and prescription drug coverage, as further defined by the plan handbook. United Way administers the plan through the use of third-party administrators and receives an administrative fee of \$10.00 per participant (as determined by the administrators of the plan). United Way determines coverage rates, and participating employees and their employers make contributions to the plan, as defined by the employee benefit policies of United Way and each of the affiliated agencies participating in the plan.

Stop loss insurance has been purchased to supplement the plan, which will reimburse United Way for annual individual claims exceeding \$100,000 and up to an unlimited reimbursement for the maximum per covered person as of December 31, 2016 and 2015. The aggregate contract period reimbursement is \$1,000,000 for policy years 2016 and 2015.

United Way has established a self-insurance reserve liability account, primarily to account for the timing differences in premium collections and claims processing, which totaled \$974,436 and \$1,011,852 at December 31, 2016 and 2015, respectively, and was reported in other liabilities. In addition, the Board designated funds for a self-insurance reserve of \$1,248,634 and \$1,200,363 at December 31, 2016 and 2015, respectively.

##### **Tax Deferred Annuity Plan**

United Way also offers its employees an opportunity to participate in a tax deferred annuity plan. Under the tax deferred annuity plan, employees may contribute 1% to 25% of their annual wages, subject to Internal Revenue Code limits. United Way does not contribute to the tax deferred annuity plan.

##### **403(b) Thrift Plan**

United Way established a 403(b) Thrift Plan ("the 403(b) Plan") on June 1, 2009. Eligible employees, as defined by the 403(b) Plan, may elect to contribute, on a tax-deferred basis, a portion of their compensation not to exceed the dollar limit set by law. The 403(b) Plan permits employer base contributions for all United Way employees, with certain exceptions as defined by the Plan. Employer matching contributions are not provided under this Plan. Participants immediately vest 100% in any employee contributions and vest ratably over a five year period in employer contributions.

United Way has the right to determine the amount of any discretionary employer base contributions annually that will be made for all eligible employees (as defined by the 403(b) Plan), who have met the age and service requirements and are actively employed by United Way on the last day of the plan year. Employer contributions accrued for the 403(b) Plan were 3% and 3% or approximately \$150,000 and \$153,000 for 2016 and 2015, respectively. Employer contributions may be net of any unvested forfeitures for separated employees. Employer contributions are allocated on a pro rata basis to those eligible employees based on annual compensation, as defined by the 403(b) Plan.

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**15. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject United Way to credit risk consist of cash, investments and pledges receivable. Investments are discussed in Note 6. Pledges receivable are discussed in Note 2. United Way maintains its cash and certificates of deposit accounts with financial institutions located in Alabama, and the accounts are guaranteed by federal deposit insurance up to \$250,000. The total uninsured balances at December 31, 2016 and 2015 were approximately \$9,000,000 and \$10,000,000, respectively. United Way has not experienced any losses in such accounts, and management believes United Way is not exposed to any significant credit risk related to cash and certificates of deposit.

United Way is economically dependent on contributions received from corporations and their employees. Any significant sales, mergers or economic downturns could affect the contributions received from these groups.

**16. COMMITMENTS AND CONTINGENCIES**

United Way has outstanding commitments for contracts entered into with various agencies for grant-related program services of approximately \$3,097,925 and \$2,617,725 at December 31, 2016 and 2015, respectively.

United Way has an unsecured bank line of credit of up to \$5,000,000 with interest based upon a margin of 2.0% in excess of 30-day LIBOR at December 31, 2016. The line of credit matures on October 28, 2017. There were no borrowings under the agreement during 2016 and 2015.

**17. NEW ACCOUNTING PRONOUNCEMENT**

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, which exempts investments measured using the net asset value ("NAV") practical expedient in ASC 820 Fair Value Measurement, from categorization within the fair value hierarchy. However, an entity will be required to disclose the fair value of investments measured using the NAV practical expedient so that users of the financial statements can reconcile amounts reported in the fair value hierarchy table to amounts reported on the statement of net assets available for benefits. The new guidance will be applied retrospectively and is effective beginning after December 15, 2015, and interim periods within those fiscal years. Management adopted the provisions of this new standard in 2016.

**18. SUBSEQUENT EVENTS**

Subsequent to year end, the United Way entered into certain contracts and agreements to change the custodian and record keeper for the United Way Defined Benefit Pension Plan and 403(b) Thrift Plan. The changes were effective in June 2017.

Subsequent to year end (July 2017), United Way entered into an agreement for the purchase of certain land and building that are adjacent to the current corporate headquarters building.

## **SUPPLEMENTARY INFORMATION**

**UNITED WAY OF CENTRAL ALABAMA, INC.  
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SCHEDULE OF ALLOCATIONS TO AGENCIES BY IMPACT AREAS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	<b><u>United Way Allocations</u></b>
<b>HEALTH</b>	
AIDS Alabama, Inc.	\$ 75,752
Alabama Head Injury Foundation, Inc.	170,252
Alabama Kidney Foundation, Inc.	116,938
Aletheia House	465,672
American Cancer Society	674,347
American Heart Association, Inc.	500,000
Arc of Jefferson County and Blount County	634,458
Arc of Shelby County	140,466
Arc of St. Clair County	97,353
Arc of Walker County	394,978
Blount County Children's Center	116,820
Cahaba Valley Health Care	39,290
Catholic Family Services	159,554
Children's Hospital of Alabama	689,072
Crisis Center, Inc.	759,451
Easter Seals of the Birmingham Area	176,477
Family Resource Center of Northwest Alabama	155,940
Fellowship House	267,681
Gateway	1,184,317
Glenwood, Inc.	141,018
Impact Family Counseling, Inc.	87,217
Independent Living Resources of Greater Birmingham, Inc.	147,865
Legacy YMCA	96,852
Levite Jewish Community Center	256,543
Oasis, A Women's Counseling Center	84,209
Positive Maturity, Inc.	661,146
SafeHouse of Shelby County	124,791
Shelby County Children's Advocacy Center – Owens House	40,772
Sickle Cell Disease Association of America – Central Alabama Chapter	146,038
St. Clair Children's Advocacy Center – The Children's Place	36,367
The Amelia Center	86,400
United Cerebral Palsy	752,413
YMCA of Birmingham, Inc.	854,590
	<b>10,335,039</b>

**EDUCATION**

A.G. Gaston Boys & Girls Club	714,287
Better Basics, Inc.	163,074
Big Brothers/Big Sisters of Greater Birmingham	413,879
Boy Scouts of America Black Warrior Council	76,033
Boy Scouts of America Greater Alabama Council	964,705
Boys & Girls Club of Central Alabama, Inc.	676,211
Camp Fire USA Central Alabama Chapter	987,096
Concerned Citizens for our Youth, Inc. (Beacon House)	167,954
Developing Alabama Youth Foundation, Inc.	126,521
Family Connection, Inc.	209,119

See independent auditors' report.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
SCHEDULE OF ALLOCATIONS TO AGENCIES BY IMPACT AREAS – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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	<b><u>United Way Allocations</u></b>
Girl Scouts of North Central Alabama	\$ 551,609
Girls Incorporated of Central Alabama	833,936
Hispanic Coalition of Central Alabama	124,242
St. Clair County Day Program, Inc.	106,310
The Literacy Council	199,375
	<b>6,314,351</b>
<b>INCOME</b>	
Alabama Goodwill Industries, Inc.	60,960
Birmingham Urban League	160,000
Blount County Aid to Homeless Children	39,687
Childcare Resources	640,201
Children's Aid Society	938,258
Christian Love Pantry	38,409
Collat Jewish Family Services	89,704
Community Food Bank of Central Alabama	364,522
Greater Birmingham Habitat for Humanity	364,886
Pathways	350,401
Salvation Army – Birmingham, Alabama Area Command	1,741,040
Salvation Army – Walker County	102,234
Shelby Emergency Assistance, Inc.	221,460
St. Clair County Department of Human Resources	50,414
United Community Centers, Inc.	92,355
Workshops, Inc.	756,398
YWCA of Central Alabama	1,566,016
	<b>7,576,945</b>
<b>CRISIS/ACCESS TO SERVICES</b>	
American Red Cross	3,116,448
Traveler's Aid Society of Birmingham, Alabama, Inc.	261,861
	<b>3,378,309</b>
<b>TOTAL AGENCIES</b>	<b>27,604,644</b>
Special designations to member agencies & initiatives	725,013
<b>TOTAL FUNDS ALLOWED</b>	<b>28,329,657</b>
<b>OTHER ALLOCATIONS/EXPENSES</b>	
Designations to nonmember agencies	2,291,090
Bold Goals	500,000
	<b>2,791,090</b>
<b>TOTAL ALLOCATIONS</b>	<b>\$ 31,120,747</b>

See independent auditors' report.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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<b>Federal Pass-Through Grantor</b>	<b>Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Direct Awards</b>	<b>Pass-Through Awards</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed Through the State of Alabama Department of Public Health						
HIV Care Formula Grant – Ryan White Part B	93.917	C50119157	\$	-	\$ 5,166,773	\$ 5,166,773
HIV Care Formula Grant – Ryan White Part B	93.917	C60112007		-	13,754,142	13,754,142
Passed Through the University of Alabama in Birmingham						
Racial and Ethnic Approaches to Community Health Program (REACH)	93.738	IU68DP005814-01			77,360	77,360
Passed Through Alabama Partnership for Children / Project Launch	93.243	1 SP020768-1			10,653	10,653
Passed Through Alabama Department of Senior Services						
Title III B Administration	93.044	90SA0109-01-00		-	36,884	36,884
Title III B Supportive Services	93.044			-	170	170
Title III C Congregate & Home Delivered Meals	93.045	90SA0109-01-00		-	374,947	374,947
Title III E National Family Caregivers	93.052	90SA0109-01-00		-	24,391	24,391
Title VI Elder Abuse Prevention	93.041			-	1,839	1,839
Title VII Ombudsman	93.042	OMB-01-17-13		-	5,697	5,697
Passed Through United Ways of Alabama						
Brief Interventions to Create Smoke-Free Policies in Low-Income Households (Smoke Free Homes)	93.393	U01 CA154282		-	1,518	1,518
Total U.S. Department of Health and Human Services				-	19,454,374	19,454,374
<b>U.S. DEPARTMENT OF VETERAN AFFAIRS</b>						
Supportive Services for Veteran Families	64.033	14-ZZ-153		2,077,289	-	2,077,289
Total U.S. Department of Veteran Affairs				2,077,289	-	2,077,289
<b>U.S. DEPARTMENT OF LABOR</b>						
Passed Through Jefferson County Workforce Investment Board						
Workforce Investment Act Cluster:						
Workforce Investment Act Adult Program	17.258	CON-41306334		-	97,464	97,464
Workforce Investment Act Dislocated Worker Formula Grant	17.278	CON-66306334		-	14,147	14,147
Workforce Investment Act Adult Program	17.258	CON-61306334		-	70,189	70,189
Workforce Investment Act Dislocated Worker Formula Grant	17.278	CON-66306334		-	7,148	7,148
Total U.S. Department of Labor				-	188,948	188,948
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Comprehensive Housing Counseling	14.169	HC160011011	181,488	-		181,488
Total U. S. Department of Housing and Urban Development			181,488	-		181,488
<b>U.S. DEPARTMENT OF THE TREASURY – INTERNAL REVENUE SERVICE</b>						
Volunteer Income Tax Assistance	21.009	16VITA0146	43,000	-		43,000
Total U.S. Department of the Treasury – Internal Revenue Service			43,000	-		43,000

See independent auditors' report and notes to the schedule of expenditures of federal and nonfederal awards.

**UNITED WAY OF CENTRAL ALABAMA, INC  
AND SUBSIDIARIES AND AFFILIATE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS - CONTINUEI**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Pass- Through Grantor</b>	<b>Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Direct Awards</b>	<b>Pass- Through Awards</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Alabama Department of Education 21st Century Community Learning Centers		84.287		-	46,437	46,437
Passed Through Birmingham City Schools Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)		84.334	Unassigned	-	102,206	102,206
Total U.S. Department of Education				-	148,643	148,643
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Passed Through Regional Planning Commission of Greater Birmingham Federal-Aid Highway Program		20.205	CMAQ-PE 12	-	43,172	43,172
Total U.S. Department of Transportation				-	43,172	43,172
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>						
Nonfederal Grants and Awards						
Volunteer Income Tax Assistance					42,442	42,442
Success By 6					321,786	321,786
Walker County Health Initiative					20,782	20,782
Siemers Foundation					107,710	107,710
Alabama Legislative Service Funds					1,931,940	1,931,940
Assets for Independence Support					205,662	205,662
Safe Routes to School					10,106	10,106
Alabama Governor's Commission on Physical Fitness					198	198
State - Senior RX					2,550	2,550
State - SHIP					16,237	16,237
State - ADRC					24,079	24,079
State - Ombudsman					17,373	17,373
Jefferson County Commission					65,000	65,000
<b>TOTAL EXPENDITURES OF NONFEDERAL GRANTS AND AWARDS</b>						
<b>TOTAL ALL PROJECTS</b>						
						<b>\$ 24,902,779</b>

See independent auditors' report and notes to the schedule of expenditures of federal and nonfederal awards.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal grant activity of United Way and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated and combined financial statements.

**2. SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, United Way provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Amount Provided to Subrecipients</b>
HIV Care Formula Grant – Ryan White Part B	93.917	\$ 6,425,365

**3. MAJOR PROGRAM DETERMINATION**

The Schedule of Findings and Questioned Costs identifies the 2016 Major Program for 2016 which is the HIV Care Formula Grant - Ryan White Part B.

While United Way also has significant federal grant programs (greater than the \$750,000 threshold used to distinguish a Type A program) for Supportive Services for Veteran Families, which is also considered a Type A Program under the guidance, Supportive Services for Veteran Families is eligible as Type A – Nonmajor Programs for 2016, as the United Way is a low-risk auditee and the grant program was audited in at least one of the two most recent audit periods with no reported findings or questioned costs.

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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There were no prior audit findings on compliance for each major program, or internal control over compliance, with the requirements described in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
United Way of Central Alabama, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated and combined financial statements of United Way of Central Alabama, Inc. and subsidiaries and affiliate (United Way) (a nonprofit organization), which comprise the consolidated and combined statement of financial position as of December 31, 2016, and the related consolidated and combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated and combined financial statements, we considered United Way's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated and combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
United Way of Central Alabama, Inc.  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Way's consolidated and combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Warren Averett, LLC*

Birmingham, Alabama  
August 22, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
United Way of Central Alabama, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited United Way of Central Alabama, Inc. (United Way) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way's major federal programs for the year ended December 31, 2016. United Way's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of United Way's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way's compliance.

**Opinion on Each Major Federal Program**

In our opinion, United Way complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2016.

### **Report on Internal Control over Compliance**

Management of United Way is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Warren Averett, LLC*

Birmingham, Alabama  
August 22, 2017

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statement Section**

Type of auditors' report issued:	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?		<input checked="" type="checkbox"/>
Significant deficiencies identified that are not considered to be material weaknesses?		<u>None reported</u>
Noncompliance material to financial statements noted?		<input checked="" type="checkbox"/>

**Federal Awards Section**

	<u>Yes</u>	<u>No</u>
Internal control over major programs:		
Material weakness(es) identified?		<input checked="" type="checkbox"/>
Significant deficiencies identified that are not considered to be material weaknesses?		<u>None reported</u>
Type of auditors' report on compliance for major programs:	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?		<input checked="" type="checkbox"/>

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program</b>
93.917	Ryan White Part B

**UNITED WAY OF CENTRAL ALABAMA, INC.  
AND SUBSIDIARIES AND AFFILIATE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
	<b>Yes</b>
Auditee qualified as low-risk auditee?	X

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.