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

CONSOLIDATED AND COMBINED
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017 AND 2016

Warren Averett
CPAs AND ADVISORS

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AND SUBSIDIARIES AND AFFILIATE
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CPAs AND ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the 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, 2017, 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, 2017, 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.

Report on Summarized Comparative Information
We have previously audited the United Way of Central Alabama, Inc. and subsidiaries and affiliate 2016 consolidated and combined financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 21, 2018, 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 21, 2018

UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
CONSOLIDATED AND COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 7,709,170	$ 2,213,969
Restricted cash	8,786,863	8,736,756
Short-term investments	352,506	353,497
Due from agencies	38,989	113,348
Campaign pledges receivable – net:		
Current year	28,237,496	29,988,526
Prior year	3,138,142	1,873,573
	31,375,638	31,862,099
Grants receivable	4,293,496	3,822,717
Other current assets	1,426,752	1,469,591
Endowment receivables	108,019	103,286
Cash surrender value of life insurance	3,800,744	3,504,936
Long-term investments	30,905,998	30,276,191
Long-term pledges receivable	1,937,009	1,792,042
Investment property	1,010,000	1,040,000
Property and equipment – net	5,044,638	5,268,787
TOTAL ASSETS	$ 96,789,822	$ 90,557,219

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 3,870,852	$ 3,294,270
Due to agencies	7,935,314	8,668,626
Due to other United Way organizations	2,883,993	3,530,146
Pension and other postretirement benefits	4,592,339	3,097,554
Other liabilities	2,248,116	2,243,569
Total liabilities	21,530,614	20,834,165
NET ASSETS		
Unrestricted net assets:		
Undesignated	7,187,260	8,538,965
Board-designated	28,676,252	23,092,402
	35,863,512	31,631,367
Temporarily restricted net assets	31,781,120	30,918,988
Permanently restricted net assets	7,614,576	7,172,699
Total net assets	75,259,208	69,723,054
TOTAL LIABILITIES AND NET ASSETS	$ 96,789,822	$ 90,557,219

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, 2017 AND 2016 (SUMMARIZED DATA)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2017	Total All Funds 2016
REVENUES AND OTHER SUPPORT					
Campaign applicable to current period:					
Contributions recognized:					
Current period	$ 3,505,452	$ (767,716)	$ -	$ 2,737,736	$ 1,140,624
Prior periods	34,822,587	(34,822,587)	-	-	-
Donor designations	(6,145,645)	6,034,669	-	(110,976)	(247,545)
Allowance for uncollectible pledges	(1,886,277)	2,314,020	-	427,743	125,293
TOTAL CAMPAIGN FOR CURRENT PERIOD	30,296,117	(27,241,614)	-	3,054,503	1,018,372
Campaign revenue recognized for future allocation period	-	34,932,250	-	34,932,250	35,590,301
Donor designations	-	(5,456,467)	-	(5,456,467)	(6,034,669)
Allowance for uncollectible pledges	-	(2,270,596)	-	(2,270,596)	(2,313,370)
TOTAL CAMPAIGN FOR NEXT ALLOCATION PERIOD	-	27,205,187	-	27,205,187	27,242,262
Campaign revenue recognized for future allocation periods	-	184,500	-	184,500	(713,945)
TOTAL CAMPAIGN	30,296,117	148,073	-	30,444,190	27,546,689
Grants and other restricted revenue	32,051,069	11,338	-	32,062,407	24,742,110
Disaster relief contributions	2,500	-	-	2,500	-
Excess revenue over pledge loss	372,923	-	-	372,923	673,367
Sales and service to the public	497,417	-	-	497,417	516,595
Endowment contributions/transfers	(30,091)	574,571	12,875	557,355	210,797
Net investment income (loss)	4,094,900	366,770	175,317	4,636,987	1,805,915
Gift-in-kind contributions	374,458	-	-	374,458	398,481
Campaign management fees	243,971	-	-	243,971	412,026
Initiative funding and transfers	4,248,952	(184,382)	5,750	4,070,320	1,136,674
Sponsorship revenue – direct projects	225,083	(54,238)	-	170,845	125,054
Change in cash surrender value of life insurance	47,873	-	247,935	295,808	233,149
Net gain on sale of property	-	-	-	-	224,263
Other	76,764	-	-	76,764	42,326
TOTAL OTHER SUPPORT	42,205,819	714,059	441,877	43,361,755	30,520,757
TOTAL REVENUES AND OTHER SUPPORT	72,501,936	862,132	441,877	73,805,945	58,067,446

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, 2017 AND 2016 (SUMMARIZED DATA)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total All Funds 2017	Total All Funds 2016
EXPENSES					
Allocations and community services:					
Funds allocated to partner agencies agencies, initiatives and programs	$ 27,821,681	$ -	$ -	$ 27,821,681	$ 28,329,657
Other allocations	2,894,485	-	-	2,894,485	2,791,090
Less allocations funded through designations	(6,148,070)	-	-	(6,148,070)	(5,992,866)
Community and agencies services:					
Community services and disaster relief	3,569,844	-	-	3,569,844	3,375,020
Grant programs	32,613,493	-	-	32,613,493	24,796,930
Fund distribution	408,648	-	-	408,648	453,474
Sponsorship expenses – direct projects	217,860	-	-	217,860	113,413
Special events – net	58,948	-	-	58,948	30,396
TOTAL ALLOCATIONS AND COMMUNITY SERVICES	61,436,889	-	-	61,436,889	53,897,114
Fund-raising and administrative costs:					
Fund-raising	2,945,732	-	-	2,945,732	2,807,708
Administrative	2,173,806	-	-	2,173,806	1,974,989
TOTAL FUND-RAISING AND ADMINISTRATIVE COSTS	5,119,538	-	-	5,119,538	4,782,697
TOTAL EXPENSES	66,556,427	-	-	66,556,427	58,679,811
EXCESS REVENUE (EXPENSE) FROM CURRENT OPERATIONS	5,945,509	862,132	441,877	7,249,518	(612,365)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC COSTS	(1,713,364)	-	-	(1,713,364)	(39,417)
CHANGES IN NET ASSETS	4,232,145	862,132	441,877	5,536,154	(651,782)
NET ASSETS AT BEGINNING OF YEAR	31,631,367	30,918,988	7,172,699	69,723,054	70,374,836
NET ASSETS AT END OF YEAR	$ 35,863,512	$ 31,781,120	$ 7,614,576	$ 75,259,208	$ 69,723,054

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, 2017 AND 2016 (SUMMARIZED DATA)

			United Way Programs				
	Fund-raising	Administrative	Fund Distribution	Community Services and Disaster Relief	Grant Programs	Total 2017	Total 2016
Salaries	$ 1,556,582	$ 1,743,794	$ 184,561	$ 1,899,253	$ 2,002,165	$ 7,386,355	$ 6,111,957
Employee Benefits	386,946	396,115	22,777	462,594	472,129	1,740,561	1,449,471
Payroll taxes	104,071	106,245	12,821	137,054	141,333	501,524	446,457
Total salaries and related expenses	2,047,599	2,246,154	220,159	2,498,901	2,615,627	9,628,440	8,007,885
Payments to affiliates	56,209	89,423	20,440	102,198	138,458	406,728	429,559
Professional fees	12,419	248,921	37,342	82,301	82,396	463,379	437,602
Supplies	121,463	36,828	4,841	104,177	26,097	293,406	260,356
Telephone	14,381	52,984	2,079	12,325	19,556	101,325	90,458
Postage and shipping	13,767	7,580	344	11,796	7,611	41,098	40,518
Occupancy	8,287	30,572	53	338,087	78,895	455,894	382,605
Rental & maintenance of equipment	27,203	109,167	6,802	24,916	8,425	176,513	124,074
Printing & publications	345,427	3,851	831	399,592	94,453	844,154	841,395
Travel	28,060	5,499	2,076	27,858	20,489	83,982	59,997
Conferences, conventions and meetings	26,619	30,147	5,599	27,876	36,029	126,270	112,600
Membership dues	3,673	9,065	1,145	50,178	-	64,061	63,703
Miscellaneous	100	57,236	113	3,933	3,927	65,309	39,610
Equipment & software	10,318	51,166	745	41,177	101,432	204,838	135,646
Indirect costs	223,243	(896,080)	101,801	(655,459)	1,226,495	-	-
Program services	-	17,380	350	103,836	28,153,603	28,275,169	21,857,364
Disaster relief payments	-	-	-	416	-	416	-
TOTAL BEFORE DEPRECIATION	2,938,768	2,099,893	404,720	3,174,108	32,613,493	41,230,982	32,883,372
Depreciation of property and equipment	6,964	73,913	3,928	395,736	-	480,540	524,749
TOTAL FUNCTIONAL EXPENSES	$ 2,945,732	$ 2,173,806	$ 408,648	$ 3,569,844	$ 32,613,493	$ 41,711,523	$ 33,408,121

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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 5,536,154	$ (651,782)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Amortization of long-term receivables	1,030	2,184
Depreciation	480,540	524,749
Net realized and unrealized gain on investments and endowment transfers	(4,641,209)	(1,795,132)
Net gain on disposal of property and equipment	-	(224,263)
Provision for allowance for uncollectible campaign pledges	384,466	85,421
Impairment loss on investment property	30,000	-
Gift-in-kind expense for contribution of property	-	310,000
Changes in:		
Campaign pledges receivable – net	101,995	1,642,929
Grants receivable	(470,779)	(897,664)
Endowment receivables	(4,733)	(4,430)
Other current assets	42,839	(48,065)
Long-term pledges receivable	(145,997)	545,229
Accounts payable and accrued expenses	576,582	35,423
Due to/from agencies, net	(658,953)	(515,900)
Due to other United Way organizations	(646,153)	(714,136)
Pension and other postretirement benefits	1,494,785	(275,831)
Other liabilities	4,547	57,743
Net cash provided by (used in) operating activities	2,085,114	(1,923,525)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,232,949	1,607,124
Purchases of investments	(2,220,556)	(991)
Increase in cash surrender value of life insurance	(295,808)	(224,788)
Purchases of property and equipment	(256,391)	(163,623)
Net cash provided by investing activities	3,460,194	1,217,722
INCREASE (DECREASE) IN CASH	5,545,308	(705,803)
CASH AT BEGINNING OF YEAR	10,950,725	11,656,528
CASH AT END OF YEAR	$ 16,496,033	$ 10,950,725
Cash	$ 7,709,170	$ 2,213,969
Restricted cash	8,786,863	8,736,756
CASH AT END OF YEAR	$ 16,496,033	$ 10,950,725

See notes to the consolidated and combined financial statements.

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, Inc. (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 2015) 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 served as the Principal Combined Fund Organization (PCFO) for the Combined Federal Campaign of Central Alabama (separate campaign conducted for federal employees) until March 31, 2017. For the year ended December 31, 2016, $824,101 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 in service expenses to participating members in 2016.

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., and Meals on Wheels of Central Alabama, Inc.; 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, 2016, 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 $506,622 and $1,280,887 is recorded in other liabilities for cash held for the grant-related programs and payable to other United Way organizations at December 31, 2017 and 2016, respectively.

Investments

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

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 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.

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 $750,000 and $743,000 (including gift-in-kind expense for media services (Note 12) of $303,000 and $376,000) for the years ended December 31, 2017 and 2016, 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, 2017 or 2016, that it would be unable to substantiate. United Way has filed its not-for-profit tax returns for all years through December 31, 2016. Years ended December 31, 2014 and subsequent remain subject to audit by taxing authorities.

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 21, 2018, which is the date these consolidated and combined financial statements were available to be issued. See Note 18 for subsequent events disclosures.

2. PLEDGES RECEIVABLE

Campaign Pledges Receivable – Net (Current Year)
Included in pledges receivable are the following unconditional promises to give at December 31:

	2017	2016
Current campaign:		
Undesignated	$ 29,531,702	$ 28,703,287
Designated	5,456,467	6,996,196
Processed on behalf of other United Way organizations	2,234,840	2,612,838
Gross unconditional pledges	37,223,009	38,312,321
Cash collected during campaign	(6,473,317)	(6,010,425)
Pledges receivable – current year	30,749,692	32,301,896
Allowance for uncollectible pledges	(2,512,196)	(2,313,370)
	$ 28,237,496	$ 29,988,526

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 $677,000 and $768,000 at December 31, 2017 and 2016, respectively.

Campaign Pledges Receivable – Net (Prior Years)
Prior year pledges receivable are reported net of the allowance for uncollectible pledges of $2,197,988 and $2,505,922 for the years ended December 31, 2017 and 2016, 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, 2017. 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:

	December 31, 2017			
	Pledge	Unamortized Discount	Discounted Pledge	Interest Rate
Campaign pledges	$ 1,625,801	$ -	$ 1,625,801	Various
Endowment pledges	215,777	4,569	211,208	Various
Initiative pledges	100,000	-	100,000	Various
	$ 1,941,578	$ 4,569	$ 1,937,009	

2. PLEDGES RECEIVABLE – CONTINUED

	December 31, 2016			
	Pledge	Unamortized Discount	Discounted Pledge	Interest Rate
Campaign pledges	$ 1,307,699	$ -	$ 1,307,699	Various
Endowment pledges	257,442	5,599	251,843	Various
Initiative pledges	232,500	-	232,500	Various
	$ 1,797,641	$ 5,599	$ 1,792,042	

Included in endowment pledges are the premiums expected to be paid on life insurance policies with total face values approximating $21.3 and $20.6 million at December 31, 2017 and 2016, 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.

	2017	2016
Amounts due in:		
Less than one year	$ 5,381,130	$ 4,379,494
One to five years	32,633,732	34,093,939
	$ 38,014,862	$ 38,473,433

3. GRANTS RECEIVABLE

Grants receivable consist of the following amounts at December 31:

	2017	2016
U.S. Department of Health & Human Services:		
Ryan White Title II	$ 3,397,400	$ 3,041,000
Area Agency on Aging	405,923	268,244
U.S. Department of Veteran Affairs:		
Supportive Services for Veteran Families	220,510	183,546
U.S. Department of Labor:		
Workforce Investment Board	-	88,519
Birmingham REACH for Better Health	10,667	11,755
U.S. Department of Housing & Urban Development: HUD	31,712	143,303
U.S. Department of Education: GEAR-UP	33,998	29,007
Alabama Department of Education:		
Walker 21st Century Community Learning	33,788	46,437
Alabama Department of Transportation:		
Alabama Partnership for Clean Air	10,873	10,906
Navigate Housing Affordability Trust Grants	148,625	-
	$ 4,293,496	$ 3,822,717

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.

4. ENDOWMENTS – CONTINUED

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ 497,976	$ 1,543,854	$ 7,614,576	$ 9,656,406
Undesignated endowment funds	8,140,658	-	-	8,140,658
Total funds	$ 8,638,634	$ 1,543,854	$ 7,614,576	$ 17,797,064

Changes in endowment net assets as of December 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets at beginning of year	$ 7,466,964	$ 696,040	$ 7,172,699	$ 15,335,703
Contributions	47,566	579,750	12,875	640,191
Investment income	160,966	51,454	23,639	236,059
Net appreciation	1,078,024	331,828	405,340	1,815,192
Amounts appropriated for expenditures	(69,897)	(102,330)	-	(172,227)
Fund transfer / in transit	(5,750)	-	5,750	-
Fees	(39,239)	(12,888)	(5,727)	(57,854)
Endowment net assets at end of year	$ 8,638,634	$ 1,543,854	$ 7,614,576	$ 17,797,064

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

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
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	(37,743)	(10,650)	(5,214)	(53,607)
Endowment net assets at end of year	$ 7,466,964	$ 696,040	$ 7,172,699	$ 15,335,703

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2017	2016
Land	$ 503,578	$ 503,578
Building and improvements	6,972,154	6,878,207
Furniture, fixtures and equipment	1,499,516	1,423,264
	8,975,248	8,805,049
Less accumulated depreciation	3,930,610	3,536,262
	$ 5,044,368	$ 5,268,787

Depreciation expense was $480,540 and $524,749 for the years ended December 31, 2017 and 2016, respectively. At December 31, 2017, the estimated cost-to-complete construction-in-progress was approximately $4,293,000.

6. INVESTMENTS

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

	December 31, 2017		December 31, 2016	
	Cost	Market	Cost	Market
Certificates of deposit	$ 350,000	$ 350,000	$ 350,000	$ 350,000
Equity securities	19,179,733	23,945,064	20,960,031	24,170,933
U.S. Government obligations	672,871	689,166	594,513	606,357
Mortgage backed securities	1,511,281	1,537,070	595,564	630,412
Municipal obligations	214	537	3,405	8,435
Corporate bonds	902,653	925,025	1,489,812	1,561,497
Fixed income mutual funds	2,088	5,229	22,987	56,933
International funds	140,847	137,257	21,883	54,197
Alternative investments	2,157,157	3,669,156	2,172,814	3,190,924
	$ 24,916,844	$ 31,258,504	$ 26,211,009	$ 30,629,688

Investment return is reported net of investment expenses of approximately $30,000 and $34,000 in 2017 and 2016, respectively. The following summarizes investment return and its classification:

	Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Investment income	$ 550,297	$ 38,566	$ 17,912	$ 606,775
Net realized and unrealized gains (losses)	3,544,603	328,204	157,405	4,030,212
	$ 4,094,900	$ 366,770	$ 175,317	$ 4,636,987

6. INVESTMENTS – CONTINUED

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

The Organization holds certain alternative investments (hedge funds) as reported above at December 31, 2017 and 2016. 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 $3,700,000 at December 31, 2017, 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 $1,010,000 and $1,040,000 at December 31, 2017 and 2016, respectively, based on current appraised values. United Way obtained an updated appraisal in June 2017 and recorded an unrealized loss of $30,000 in 2017 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.

7. FAIR VALUE MEASUREMENTS – CONTINUED

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 investment property.

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.

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.

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

	December 31, 2017			
		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	23,945,064	23,945,064	-	-
U.S. Government obligations	689,166	4,298	684,868	-
Mortgage backed securities	1,537,070	1,038,798	498,272	-
Municipal obligations	537	537	-	-
Corporate bonds	925,025	6,629	918,396	-
Fixed income mutual funds	5,229	5,229	-	-
International funds	137,257	-	137,257	-
Investment property	1,010,000	-	-	1,010,000
Alternative investments (a)	3,669,156	-	-	-
	$ 32,268,504	$ 25,350,555	$ 2,238,793	$ 1,010,000

7. FAIR VALUE MEASUREMENTS – CONTINUED

	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	-	-
Investment property	1,040,000	-	-	1,040,000
Alternative investments (a)	3,190,924	-	-	-
	$ 31,669,688	$ 24,785,993	$ 2,652,771	$ 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.

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.

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, 2016:	$ 1,040,000	$ 1,040,000
Total unrealized gains (losses)	-	-
Total realized gains (losses)	-	-
Purchases and issuances	-	-
Settlements	-	-
December 31, 2016:	1,040,000	1,040,000
Total unrealized gains (losses)	(30,000)	(30,000)
Total realized gains (losses)	-	-
Purchases and issuances	-	-
Settlements	-	-
December 31, 2017	$ 1,010,000	$ 1,010,000

7. FAIR VALUE MEASUREMENTS – CONTINUED

Gains and losses (realized and unrealized) included in changes in net assets investments (Level 3) for the years ended December 31, 2017 and 2016, are reported in investment income as follows:

	December 31, 2017		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Total unrealized gains (losses) included in changes in net assets for the year	$ (30,000)	$ -	$ -
Change in unrealized gains (losses) relating to assets still held at year end	$ (30,000)	$ -	$ -

	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	$ -	$ -	$ -

8. BOARD-DESIGNATED NET ASSETS 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:

	2017	2016
Capital improvements	$ 611,691	$ 466,435
Contingencies	7,539,966	6,970,393
Self-insurance reserve	4,602,665	1,248,634
Endowment	8,638,634	7,466,963
Community impact	7,283,296	6,939,977
	$ 28,676,252	$ 23,092,402

8. BOARD-DESIGNATED FUNDS AND TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

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

	2017	2016
Purpose restrictions:		
Youth initiatives	$ 203,830	$ 188,637
Day of Service sponsorship	21,500	73,268
Sponsorship programs	498,550	552,789
Endowments	1,543,854	696,040
Disaster relief	668,896	668,895
Time restrictions:		
Net campaign for future years	28,844,490	28,739,359
	$ 31,781,120	$ 30,918,988

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:

	December 31, 2017			
	Opening Balance	Net Contributions	Earned	Ending Balance
Campaign	$ 2,993,678	$ 12,500	$ 121,850	$ 3,128,028
Legacy	4,179,021	6,125	301,402	4,486,548
	$ 7,172,699	$ 18,625	$ 423,252	$ 7,614,576

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

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:

	2017	2016
Time restrictions:		
Campaign pledges (net of designations and allowances) received for future periods	$ 27,241,612	$ 29,187,969
Purpose restrictions:		
Income initiatives	9,000	-
Health initiatives	56,728	-
Youth initiatives	36,696	(102,036)
Sponsorship programs	225,084	119,614
	$ 27,569,120	$ 29,205,547

11. ALLOCATIONS, GRANTS UNDER MANAGEMENT AND COMMUNITY SERVICES

Allocations and Grants under Management

In 2017, allocations and grants under management invested in the community (classified by impact area) are as follows:

Impact Areas	Allocations to Member Agencies	Special Initiatives and Programs	Other Allocations	Grants under Management	Amount	Percent
Health	$10,352,549	$ 19,408	$ 637,567	$ 26,235,395	$37,244,919	58.82%
Education	6,323,368	113,829	330,056	571,740	7,338,993	11.59%
Income	7,571,466	88,824	158,883	2,916,404	10,735,577	16.95%
Crisis/access to services	3,235,303	116,934	10,938	2,889,948	6,253,123	9.87%
Other	-	-	1,757,041	-	1,757,041	2.77%
	$27,482,686	$ 338,995	$2,894,485	$ 32,613,487	$63,329,653	100.00%

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

Impact Areas	Allocations to Member Agencies	Special Initiatives and Programs	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%
	$27,604,644	$ 725,013	$2,791,090	$ 24,796,930	$55,917,677	100.00%

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

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 $378,000 and $168,000 in 2017 and 2016, respectively. The costs of such services, including depreciation, were approximately $236,000 and $242,000 in 2017 and 2016, respectively. United Way held cash at December 31, 2017 and 2016, of approximately $62,000 and $94,000, 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 $107,000 and $200,000 at December 31, 2017 and 2016, 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 14,040 and 15,080 hours, with an approximate fair value of $347,000 and $364,000 not recognized as revenue for the years ended December 31, 2017 and 2016, respectively. The Loaned Executives assist United Way during the annual campaign. United Way received contributed services including a gift-in-kind for media services of approximately $303,000 and $376,000 for the years ended December 31, 2017 and 2016, respectively, based on an allocation 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 the accompanying financial statements.

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).

Additionally, people across the community participated in United Way's Visiting Allocation Team (VAT) process volunteering approximately 1,974 and 5,720 hours, with an approximate fair value of $49,000 $138,000 for the years ended December 31, 2017 and 2016, 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.

Meals on Wheels of Central Alabama received a gift-in-kind lease of approximately $21,000 and $5,000 for the years ended December 31, 2017 and 2016, respectively, for space in which to prepare meals for delivery to participants and to senior centers throughout the area. This lease is reported as gift-in-kind revenue and functional expenses in the accompanying financial statements.

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.

	2017	2016
Fundraising expenses	$ 2,945,732	$ 2,807,708
Administrative expenses	2,173,806	1,974,763
Fundraising and administrative revenues	(781,985)	(846,754)
Less expenses funded from other sources for:		
Planned giving	(477,109)	(467,979)
Strategic plan	(223,852)	(201,243)
Numerator	$ 3,636,592	$ 3,266,495
Campaign revenue announced/Denominator	$ 38,000,214	$ 39,000,612
SF&A	9.57%	8.38%

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 15 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).

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:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Benefit obligations at beginning of year	$ (11,118,784)	$(10,416,770)	$ (1,002,189)	$ (862,531)
Service cost	(531,935)	(556,080)	(111,967)	(112,447)
Interest cost	(407,246)	(437,758)	(43,154)	(38,559)
Actuarial gain (loss)	(2,379,600)	(109,001)	(35,095)	-
Benefits paid	884,911	400,825	799	11,348
Benefit obligations at December 31	(13,552,654)	(11,118,784)	(1,191,606)	(1,002,189)
Fair value of plan assets at beginning of year	9,023,419	7,905,916	-	-
Actual return on plan assets	1,070,539	470,007	-	-
Employer contributions	942,874	1,048,321	-	-
Annuities purchased or benefits paid	(884,911)	(400,825)	-	-
Fair value of plan assets at December 31	10,151,921	9,023,419	-	-
Funded status	$ (3,400,733)	$ (2,095,365)	$ (1,191,606)	$ (1,002,189)
Amounts recorded at December 31 consist of:				
Pension liability	$ (3,400,733)	$ (2,095,365)	$ -	$ -
Postretirement liability	-	-	(1,191,606)	(1,002,189)
Totals	$ (3,400,733)	$ (2,095,365)	$ (1,191,606)	$ (1,002,189)

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Changes in Funded Status				
Amounts recognized consist of:				
Service cost	$ 531,935	$ 556,080	$ 111,966	$ 112,447
Interest cost	407,246	437,758	43,154	38,559
Expected return on plan assets	(568,979)	(555,502)	-	-
Amount of recognized actuarial (gain) losses	164,676	155,079	35,096	-
Net periodic benefit cost	534,878	593,415	190,216	151,006
Pension-related changes other than net periodic cost	1,713,364	39,417	-	-
	2,248,242	632,832	190,216	151,006
Less employer contributions	942,874	1,048,321	799	11,348
Change in Funded Status – (increase) decrease	$ 1,305,368	$ (415,489)	$ 189,417	$ 139,658

14. EMPLOYEE BENEFIT PLANS – CONTINUED

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Amounts previously recognized in unrestricted net assets, not yet recognized as net periodic pension cost at December 31 consist of:				
Unrecognized actuarial loss	$ 4,116,301	$ 2,402,937	$ -	$ -

United Way had board designated assets set aside for the purpose of funding the plans of $728,559 and $637,343 for the pension plan and $493,900 and $527,468 for the postretirement plan at December 31, 2017 and 2016, respectively.

Plan Assets

The benefit plan's asset allocations at December 31, 2017 and 2016, by asset category are as follows:

	Pension Benefits	
	2017	2016
Equity securities	51%	46%
Fixed income debt securities	35%	19%
Real estate	2%	0%
General account	12%	35%
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 2017 or 2016. No pension plan assets are expected to be returned to United Way during 2017.

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

	Pension Benefits	Postretirement Benefits
2018	$ 2,261,300	$ 48,700
2019	514,300	51,100
2020	206,900	48,600
2021	380,000	44,100
2022	1,823,300	58,800
Years 2023-2027	4,627,900	220,000
Totals	$ 9,813,700	$ 471,300

14. EMPLOYEE BENEFIT PLANS – CONTINUED

Assumptions

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

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate:				
Pre-Retirement	3.80%	4.00%	4.50%	4.50%
Post-Retirement	3.80%	5.50%	3.75%	4.50%
Rate of compensation increase	4.00%	5.00%	N/A	N/A
Medical trend rate:				
Year 1			4.20%	5.60%
Year 2			5.40%	5.40%
Year 3			5.30%	5.40%
Year 4			5.20%	5.30%
Year 5			5.10%	5.30%
Thereafter			5.10%-3.80%	5.2%-5.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	4.00%	4.10%	4.50%	4.50%
Expected long-term return on plan assets	6.75%	6.75%	N/A	N/A
Rate of compensation increase for past	4.00%	5.00%	N/A	N/A
Rate of compensation increase for future	4.00%	4.00%	N/A	N/A

During 2017, mortality for the Pension Plan was determined using the Adjusted RP-2014 Mixed Collar Table, separate for Males and Females with Mortality Improvement Projection by Scale MP-2017 (Adjusted RP-2014 Total Dataset Employee Table, separate for Males and Females with Mortality Improvement Projection by Scale MP-2016 for 2016).

Postretirement mortality was determined using the RP-2006 (rates underlying RP-2014) Generational, projected using MP-2017 for 2017 (Unisex Mortality Table specified in IRS Notice 2013-49 and IRS Notice 2013-53 for 2016). The actuarially estimated impact of a 1% change in health care cost trend assumption for service and interest costs, using a current trend of $155,121 is $175,420 for a 1% increase and $137,851 for a 1% decrease.

Cash Flows

United Way expects to contribute approximately $840,000 to its pension plan and $48,700 to its postretirement plan in 2018.

14. EMPLOYEE BENEFIT PLANS – CONTINUED

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, 2017 and 2016. The aggregate contract period reimbursement is $1,000,000 for policy years 2017 and 2016.

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 $778,240 and $974,436 at December 31, 2017 and 2016, respectively, and was reported in other liabilities. In addition, the Board designated funds for a self-insurance reserve of $4,602,665 and $1,248,634 at December 31, 2017 and 2016, 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%, or approximately $230,000 and $150,000 for 2017 and 2016, 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.

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, 2017 and 2016 were approximately $14,800,000 and $9,000,000, 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 $2,282,039 and $3,097,925 at December 31, 2017 and 2016, respectively.

United Way has an unsecured bank line of credit of up to $10,000,000 with a variable interest rate based upon a margin of 2.0% in excess of 30-day LIBOR at December 31, 2017. The line of credit matures on October 31, 2018. There were no borrowings under the agreement during 2017 and 2016.

17. NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit-Entities*. This ASU will change the way all not-for-profits classify net assets and prepare financial statements. The amendments in this update make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profits. The purpose of this ASU is to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of this guidance on the consolidated and combined financial statements.

In May 2015, the 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, on January 19, 2018, United Way entered into an agreement for the purchase of certain land and building that are adjacent to the current corporate headquarters building in the amount of $3,200,000.

SUPPLEMENTARY INFORMATION

UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
SCHEDULE OF ALLOCATIONS TO AGENCIES BY IMPACT AREAS
FOR THE YEAR ENDED DECEMBER 31, 2017

	United Way Allocations
Health:	
AIDS Alabama, Inc.	76,407
Alabama Head Injury Foundation, Inc.	171,071
Alabama Kidney Foundation, Inc.	117,265
Aletheia House	466,163
American Cancer Society	674,838
American Heart Association, Inc.	500,491
Arc of Central Alabama	634,851
Arc of Shelby County	140,957
Arc of St. Clair County	98,172
Arc of Walker County	395,523
Blount County Children's Center	117,164
Cahaba Valley Health Care	39,945
Catholic Family Services	159,717
Children's of Alabama	689,727
Crisis Center, Inc.	760,106
Easter Seals of the Birmingham Area	176,968
Family Resource Center of Northwest Alabama	156,431
Fellowship House	268,172
Gateway	1,184,862
Glenwood, Inc.	141,564
Impact Family Counseling, Inc.	88,200
Independent Living Resources of Greater Birmingham, Inc. (DRR)	148,520
Legacy YMCA	97,196
Levite Jewish Community Center	256,789
Oasis, A Women's Counseling Center	84,864
Positive Maturity, Inc.	661,691
SafeHouse of Shelby County	125,446
Shelby County Children's Advocacy Center - Owens House	41,317
Sickle Cell Disease Association of America - Central Alabama Chapter	146,611
St. Clair Children's Advocacy Center - The Children's Place	37,218
The Amelia Center	86,400
United Ability (UCP)	752,986
YMCA of Birmingham, Inc.	854,917
	10,352,549
Education:	
A.G. Gaston Boys & Girls Club	714,942
Better Basics, Inc.	163,941
Big Brothers/Big Sisters of Greater Birmingham	414,452
Boy Scouts of America Black Warrior Council	76,459
Boy Scouts of America Greater Alabama Council	965,114
Boys & Girls Club of Central Alabama, Inc.	677,029
Camp Fire USA Central Alabama Chapter	987,096
Concerned Citizens for our Youth, Inc. (Beacon House)	168,499
Developing Alabama Youth Foundation, Inc.	127,066
Family Connection, Inc.	210,020
Girl Scouts of North Central Alabama	552,427
Girls Incorporated of Central Alabama	834,591
Hispanic Coalition of Central Alabama	124,787
St. Clair County Day Program, Inc.	106,752
The Literacy Council	200,193
	6,323,368

See independent auditors' report.

UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
SCHEDULE OF ALLOCATIONS TO AGENCIES BY IMPACT AREAS
FOR THE YEAR ENDED DECEMBER 31, 2017

	United Way Allocations
Income:	
Alabama Goodwill Industries, Inc.	60,960
Birmingham Urban League	160,000
Birmingham Urban League - prior year	(9,429)
Blount County Aid to Homeless Children	40,669
Childcare Resources	640,201
Children's Aid Society	938,804
Christian Love Pantry	39,064
Collat Jewish Family Services	89,867
Community Food Bank of Central Alabama	365,340
Greater Birmingham Habitat for Humanity	365,401
Pathways	350,401
Salvation Army - Birmingham, Alabama Area Command	1,742,162
Salvation Army - Walker County	103,052
Shelby Emergency Assistance, Inc.	221,951
St. Clair County Department of Human Resources	45,372
United Community Centers, Inc.	93,338
Workshops, Inc.	757,069
YWCA of Central Alabama	1,567,244
	7,571,466
Crisis/Access to Services:	
American Red Cross	2,971,151
Traveler's Aid Society of Birmingham, Alabama, Inc.	264,152
	3,235,303
Total Allocations to Member Agencies	**27,482,686**
Special Initiatives and Programs:	
211 Assitance Program	59,227
Central Alabama Children's Fund - Blount County	4,239
Central Alabama Children's Fund - Jefferson County	15,236
Central Alabama Children's Fund - Shelby County	15,076
Central Alabama Children's Fund - St. Clair County	35,823
Central Alabama Children's Fund - Walker County	19,210
Community HIV Parthership Fund	11,952
Disaster Recovery Fund	9,218
Success by Six	24,245
Financial Stability Partnership	88,824
Healthy Communities Fund	764
Priority Veteran	48,490
Senior Support Fund	6,692
Total Special Initiatives and Programs	**338,995**
Other Allocations	
Special Designations to Member Agencies and Non Member Agencies	2,413,468
Bold Goals Initiatives:	
* Alabama Possible	41,667
* Alabama Youth Advocate Programs	25,000
* American Baseball Foundation	5,000
American Heart Association, Inc.	8,000
Better Basics	16,000
* Birmingham Business Alliance	50,000
* Birmingham City Schools	3,000
* Birmingham Education Foundation	35,000

See independent auditors' report.

UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
SCHEDULE OF ALLOCATIONS TO AGENCIES BY IMPACT AREAS
FOR THE YEAR ENDED DECEMBER 31, 2017

	United Way Allocations
* Blount County Education Foundation	74,917
Boys & Girls Club of Central Alabama, Inc.	10,000
Camp Fire USA Central Alabama Chapter	3,000
Community Food Bank of Central Alabama	33,333
* Community Foundation of Greater Birmingham	10,000
Girls Incorporated of Central Alabama	8,000
* Greater Birmingham Ministries	7,500
Impact Family Counseling, Inc.	12,500
* Jefferson County Department of Health	16,100
* Public Affairs Research Council Of Alabama	24,500
Shades Valley Family YMCA	12,500
* Shelby County School Education Foundation	3,000
* St. Vincents Foundation	5,000
* The University Of Alabama at Birmingham	37,500
* Walker Area Community Foundation	12,500
* Walker County Community Action Agency	2,000
YMCA-Alabaster Family Branch	10,000
YWCA of Central Alabama	15,000
Total Bold Goals	481,017
Total Other Allocations	**2,894,485**
Total UWCA Allocations	**30,716,166**
UWCA Programs	
Hands On Birmingham	200,000
Meals On Wheels	119,290
Success by Six	164,140
211 Assistance Program	201,070
Total UWCA Programs	**684,500**
Total UWCA Allocations, Programs, and Community Initiatives	**31,400,666**

* Not a UWCA Agency

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, 2017

Federal Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Grant Number	Direct Awards	Pass-Through Awards	Total Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through the State of Alabama Department of Public Health					
HIV Care Formula Grant – Ryan White Part B	93.917	GC-16-202 C60112007	$ -	$ 6,319,868	$ 6,319,868
HIV Care Formula Grant – Ryan White Part B	93.917	GC-17-269 C70115165	-	17,482,874	17,482,874
Passed Through the University of Alabama in Birmingham					
Racial and Ethnic Approaches to Community Health Program (REACH)	93.738	000506983-003	-	57,895	57,895
Passed Through Alabama Department of Senior Services					
Program Cluster: Special Programs for the Aging					
Title III B Administration	93.044	FAIN-17AAALT3SS	-	171,840	171,840
Title III B Supportive Services	93.044	FAIN-17AAALT3SS	-	176,056	176,056
Title III C Congregate & Home Delivered Meals	93.045	FAIN-17AAALT3SS	-	598,002	598,002
Title III C-2 Home Delivered Meals	93.045	FAIN-17AAALT3HD	-	444,055	444,055
Total Program Cluster: Special Programs for the Aging				1,389,953	1,389,953
Title III D Preventative Health	93.043	FAIN-17AAALT3PH	-	11,405	11,405
Title III E National Family Caregivers	93.052	FAIN-17AAALT3FC	-	248,041	248,041
Title VII Elder Abuse Prevention	93.041	FAIN-17AAALT7EA	-	16,368	16,368
Title VII Ombudsman	93.042	FAIN-17AAALT7OM	-	41,600	41,600
Gateway (Survey)	93.791		-	757	757
Gateway (Outreach)	93.791		-	3,883	3,883
MIPPA AAA	93.071		-	22,960	22,960
MIPPA ADRC	93.071		-	9,050	9,050
MIPPA SHIP	93.071		-	18,100	18,100
SHIP 17/18	93.324	90SAPG0016-01-00	-	24,388	24,388
SHIP 16/17	93.324		-	36,980	36,980
Total U.S. Department of Health and Human Services			-	25,684,122	25,684,122
U.S. DEPARTMENT OF VETERAN AFFAIRS					
Supportive Services for Veteran Families	64.033	14-ZZ-153	2,033,981	-	2,033,981
Total U.S. Department of Veteran Affairs			2,033,981	-	2,033,981
U.S. DEPARTMENT OF LABOR					
Passed Through Jefferson County Workforce Investment Board					
Workforce Investment Act Cluster:					
Workforce Investment Act Adult Program	17.258	CON-41306334	-	128,221	128,221
Total U.S. Department of Labor			-	128,221	128,221
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
HUD Intermediary	14.169	HC160011011	94,570	-	94,570
Comprehensive Housing Counseling	14.169		211,564	-	211,564
Total U. S. Department of Housing and Urban Development			306,134	-	306,134
U.S. DEPARTMENT OF THE TREASURY – INTERNAL REVENUE SERVICE					
Volunteer Income Tax Assistance	21.009	16VITA0146	45,500	-	45,500
Total U.S. Department of the Treasury – Internal Revenue Service			45,500	-	45,500

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
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Pass-Through Grantor	Program or Cluster Title	Federal CFDA Number	Grant Number	Direct Awards	Pass-Through Awards	Total Expenditures
U.S. DEPARTMENT OF EDUCATION						
	Passed Through Alabama Department of Education					
	21st Century Community Learning Centers	84.287		-	137,352	137,352
	Passed Through Birmingham City Schools					
	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334		-	111,740	111,740
	Total U.S. Department of Education			-	249,092	249,092
U.S. DEPARTMENT OF TRANSPORTATION						
	Passed Through Regional Planning Commission of Greater Birmingham					
	Federal-Aid Highway Program	20.205	CMAQ-PE 12	-	20,202	20,202
	Total U.S. Department of Transportation			-	20,202	20,202
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 2,385,615	$ 26,081,637	$ 28,467,252
Nonfederal Grants and Awards						
	State of Alabama Department of Public Health					$ 2,226,976
	Assets for Independence					204,077
	Volunteer Income Tax Assistance					98,081
	Success By 6					256,056
	Success By 6 Help Me Grow					61,396
	Financial Stability Partnership Case Management					90,095
	Walker County Health Initiative					24,539
	21st Century Community Learning Centers					3,174
	Titile III B Supportive Services					110,006
	Title III C Congregate Meals					364,879
	Title III C-2 Home Delivered Meals					287,673
	Title III E-1 National Family Caregivers					14,714
	Emergency Preparedness					3,411
	Senior Rx					240
	SHIP 17/18 Navigate					4,989
	Safe Routes to School					10,256
	State - Senior RX					154,665
	State - ADRC					59,767
	State - Ombudsman					55,899
TOTAL EXPENDITURES OF NONFEDERAL GRANTS AND AWARDS						4,030,893
	TOTAL ALL PROJECTS					$ 32,498,145

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

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
HIV Care Formula Grant – Ryan White Part B	93.917	$ 6,792,175
Program Cluster: Special Programs for the Aging	93.044 & 93.045	$ 1,289,275

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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*

To the 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, 2017, 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 21, 2018.

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.

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 21, 2018

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

To the 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, 2017. 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, 2017.

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 21, 2018

**UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditors' report issued:	Unmodified	
	Yes	**No**
Internal control over financial reporting:		
Material weakness(es) identified?		**X**
Significant deficiencies identified that are not considered to be material weaknesses?		**None reported**
Noncompliance material to financial statements noted?		**X**

Federal Awards Section

	Yes	**No**
Internal control over major programs:		
Material weakness(es) identified?		**X**
Significant deficiencies identified that are not considered to be material weaknesses?		**None reported**
Type of auditors' report on compliance for major programs:	Unmodified	
	Yes	**No**
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?		**X**

Identification of major programs:

CFDA Number(s)	Name of Federal Program(s)
93.917	Ryan White Part B
64.033	VA Supportive Services for Veteran Families Program
93.044 & 93.045	Program Cluster: Special Programs for the Aging

Dollar threshold used to distinguish between Type A and Type B programs:	$854,018	
	Yes	**No**
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.

UNITED WAY OF CENTRAL ALABAMA, INC.
AND SUBSIDIARIES AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

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.*