

UNITED WAY OF
GREENVILLE COUNTY, INC.

Financial Statements

December 31, 2008

(with Independent
Auditors' Report thereon)

UNITED WAY OF GREENVILLE COUNTY, INC.

December 31, 2008

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Independent Auditors' Report

Board of Trustees
United Way of Greenville County, Inc.
Greenville, South Carolina

We have audited the accompanying statement of financial position of the United Way of Greenville County, Inc. ("United Way") as of December 31, 2008, and the related statements of activities, cash flows, and allocations and functional expenses for the year then ended. These financial statements are the responsibility of the United Way's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the United Way's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Greenville County, Inc. as of December 31, 2008, and the results of its activities, cash flows, and allocations and functional expenses for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative 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. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Dixon Hughes PLLC

May 13, 2009

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Financial Position

December 31, 2008

(with comparative totals for 2007)

Assets

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 3,547,216	\$ 4,778,973
Investments	2,367,100	902,114
Pledges receivable:		
Current portion of capital campaign	52,069	159,567
Fiscal year 2008/09 (less allowance for uncollectible pledges of \$1,342,000)	10,521,340	-
Fiscal year 2007/08 (less allowance for uncollectible pledges of \$1,175,000)	862,627	10,555,264
Fiscal year 2006/07 (less allowance for uncollectible pledges of \$1,185,000)	-	605,899
Total current portion of pledges receivable, net	<u>11,436,036</u>	<u>11,320,730</u>
Accrued interest	24,709	8,935
Other receivables	90,248	98,826
Prepaid expenses	74,372	24,975
Total current assets	<u>17,539,681</u>	<u>17,134,553</u>
Endowment funds held by other organization	2,252,020	2,904,857
Cash value of life insurance policies	169,479	139,552
Property and equipment:		
Land	267,000	267,000
Building	1,721,242	1,721,242
Office furniture and equipment	964,205	894,835
	<u>2,952,447</u>	<u>2,883,077</u>
Less accumulated depreciation	822,517	726,264
Property and equipment, net	<u>2,129,930</u>	<u>2,156,813</u>
Pledges receivable:		
Capital campaign, net of current portion (less discounts for future pledges of \$1,200)	30,798	56,961
Fiscal year 2009/10 (less discount for future pledges of \$600)	153,432	157,054
Fiscal year 2010/11 (less discount for future pledges of \$2,000)	128,046	56,184
Total long-term portion of pledges receivable net	<u>312,276</u>	<u>270,199</u>
Total assets	\$ <u>22,403,386</u>	\$ <u>22,605,974</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Financial Position (continued)

December 31, 2008

(with comparative totals for 2007)

Liabilities and Net Assets

	<u>2008</u>	<u>2007</u>
Current liabilities:		
Accounts payable	29,266	44,695
Accrued expenses	4,154	3,770
Allocations payable	68,570	8,000
Grants payable	150,185	384,226
Due to designated agencies, less related portion of uncollectible pledges of \$166,000 for 2008 and \$128,000 for 2007.	2,324,295	2,160,591
Funds held for others	23,543	24,878
Deferred revenue - cost reimbursement on designations	161,756	184,765
Total current liabilities	2,761,769	2,810,925
Unfunded pension benefit obligation	544,312	195,000
Total liabilities	3,306,081	3,005,925
Net assets:		
Unrestricted:		
Designated by Board	3,526,793	2,835,740
Undesignated, including investment in property and equipment of \$2,129,930 in 2008 and \$2,156,813 in 2007	2,237,191	2,556,686
Total unrestricted	5,763,984	5,392,426
Temporarily restricted	10,745,395	11,678,923
Permanently restricted	2,587,926	2,528,700
Total net assets	19,097,305	19,600,049
Total liabilities and net assets	\$ 22,403,386	\$ 22,605,974

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Activities

For the Year Ended December 31, 2008

(with comparative totals for 2007)

	2008				2007
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Combined Total
Revenues, Gains and Other Support:					
Total current year campaign contributions	\$ 733,626	\$ 14,233,593	\$ -	\$ 14,967,219	\$ 14,399,885
Less donor designations	(162,162)	(2,287,230)	-	(2,449,392)	(2,150,180)
Campaign revenue less donor designations	571,464	11,946,363	-	12,517,827	12,249,705
Allowance for uncollectible pledges	(62,825)	(1,341,701)	-	(1,404,526)	(1,159,416)
Total current year net campaign revenue	508,639	10,604,662	-	11,113,301	11,090,289
Contributions received in prior years released from restriction, net	10,891,009	(10,891,009)	-	-	-
Net campaign revenue	11,399,648	(286,347)	-	11,113,301	11,090,289
Capital campaign contributions	8,337	-	-	8,337	113,178
Other contributions	58,056	-	59,226	117,282	200,394
Gifts in kind contributions	266,690	-	-	266,690	228,381
Private and government grants	305,604	237,700	-	543,304	630,819
Investment income, net	134,200	95,255	-	229,455	375,119
Recovery of prior year pledges	229,178	-	-	229,178	301,476
Donor designation fees	190,488	-	-	190,488	218,125
 Total revenues, gains and other support	 12,592,201	 46,608	 59,226	 12,698,035	 13,157,781
Other releases:					
Grants received in prior year released from restriction	174,604	(174,604)	-	-	-
 Total revenues, gains and other support, net of assets released from restrictions	 \$ 12,766,805	 \$ (127,996)	 \$ 59,226	 \$ 12,698,035	 \$ 13,157,781

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Activities (continued)

For the Year Ended December 31, 2008

(with comparative totals for 2007)

	2008			Total	2007
	Unrestricted	Temporarily Restricted	Permanently Restricted		Combined Total
Allocations and Other Functional Expenses:					
Community impact:					
Agency allocations and grants	\$ 9,882,861	\$ -	\$ -	\$ 9,882,861	\$ 10,104,266
Less donor designations	(2,286,980)	-	-	(2,286,980)	(2,009,204)
	<u>7,595,881</u>	<u>-</u>	<u>-</u>	<u>7,595,881</u>	<u>8,095,062</u>
Community services and outreach	635,281	-	-	635,281	647,416
Community initiatives	<u>1,623,348</u>	<u>-</u>	<u>-</u>	<u>1,623,348</u>	<u>1,383,734</u>
Total community impact	9,854,510	-	-	9,854,510	10,126,212
Supporting services:					
Fund raising	1,970,810	-	-	1,970,810	1,701,603
Organizational administration	<u>250,541</u>	<u>-</u>	<u>-</u>	<u>250,541</u>	<u>364,749</u>
Total supporting services	<u>2,221,351</u>	<u>-</u>	<u>-</u>	<u>2,221,351</u>	<u>2,066,352</u>
Total expenses	<u>12,075,861</u>	<u>-</u>	<u>-</u>	<u>12,075,861</u>	<u>12,192,564</u>
Increase (decrease) in net assets before pension benefit obligation adjustment and unrealized gain (loss) on investments	690,944	(127,996)	59,226	622,174	965,217
Pension benefit obligation adjustment	(349,312)	-	-	(349,312)	91,536
Unrealized gains (losses) on investments	<u>29,927</u>	<u>(805,533)</u>	<u>-</u>	<u>(775,606)</u>	<u>227,004</u>
Change in net assets	371,559	(933,529)	59,226	(502,744)	1,283,757
Net assets, beginning of year	<u>5,392,425</u>	<u>11,678,924</u>	<u>2,528,700</u>	<u>19,600,049</u>	<u>18,316,292</u>
Net assets, end of year	\$ <u>5,763,984</u>	\$ <u>10,745,395</u>	\$ <u>2,587,926</u>	\$ <u>19,097,305</u>	\$ <u>19,600,049</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Cash Flows

For the Year Ended December 31, 2008

(with comparative totals for 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (502,744)	\$ 1,283,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	96,253	102,433
Unrealized (gains) losses on investments	775,606	(227,004)
Realized losses on investments	271	1,005
Net change in pension benefit obligation	349,312	(99,068)
Change in assets and liabilities:		
Pledges receivable	(157,382)	85,553
Accrued interest and other receivables	(7,196)	(50,844)
Prepaid expenses	(49,398)	29,327
Accounts payable	(15,429)	34,532
Accrued expenses	384	(22,516)
Allocations payable	60,570	(13,708)
Grants payable	(234,041)	357,451
Due to designated	163,704	226,920
Funds held for others	(1,335)	7,821
Deferred revenue	(23,009)	(34,916)
Net cash provided by operating activities	<u>455,566</u>	<u>1,680,743</u>
Cash flows from investing activities:		
Purchase of investments, net	(1,617,953)	(148,608)
Purchase of property and equipment	(69,370)	(31,581)
Net cash used in investing activities	<u>(1,687,323)</u>	<u>(180,189)</u>
Cash flows from financing activities:		
Payments on long-term debt	-	(1,087,392)
Net cash used in financing activities	<u>-</u>	<u>(1,087,392)</u>
Net increase (decrease) in cash and cash equivalents	(1,231,757)	413,162
Cash and cash equivalents at beginning of year	<u>4,778,973</u>	<u>4,365,811</u>
Cash and cash equivalents at end of year	<u>\$ 3,547,216</u>	<u>\$ 4,778,973</u>
Interest paid	<u>\$ -</u>	<u>\$ 35,786</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Statement of Allocations and Functional Expenses

For the Year Ended December 31, 2008

(with comparative totals for 2007)

	Community Impact		Supporting Services			Totals								
	Allocations and Grants	Services provided by United Way	Total Community Impact	Fund raising	Organizational Administration	Total Supporting Services	2008	2007						
Allocations, grants, and distributions	\$ 9,882,861		\$ 9,882,861				\$ 9,882,861	\$ 10,104,266						
Less donor designations	(2,286,980)		(2,286,980)				(2,286,980)	(2,009,204)						
	<u>7,595,881</u>		<u>7,595,881</u>				<u>7,595,881</u>	<u>8,095,062</u>						
Functional expenses:														
Salaries and services		\$ 935,645	\$ 935,645	\$ 540,729	\$ 707,582	\$ 1,248,311	\$ 2,183,956	\$ 1,949,767						
Employee benefits		204,479	204,479	146,255	189,298	335,553	540,032	484,102						
Payroll taxes		63,761	63,761	43,814	51,490	95,304	159,065	147,937						
Study and consultant fees		20,536	20,536	-	20,538	20,538	41,074	50,538						
Audit and professional fees		-	-	4,617	22,408	27,025	27,025	28,262						
IT costs and software user fees		11,705	11,705	5,664	15,033	20,697	32,402	43,172						
Advertising		7,243	7,243	-	-	-	7,243	13,170						
Supplies		55,862	55,862	289,284	21,314	310,598	366,460	317,714						
Telephone		14,832	14,832	9,375	8,752	18,127	32,959	23,721						
Postage		9,491	9,491	19,631	5,567	25,198	34,689	28,836						
Occupancy		50,258	50,258	24,422	25,871	50,293	100,551	88,254						
Interest		-	-	-	-	-	-	35,787						
Equipment maintenance		18,805	18,805	9,489	6,962	16,451	35,256	33,407						
Printing & promotional materials		41,178	41,178	190,254	28,334	218,588	259,766	238,822						
Travel - local		17,337	17,337	9,243	835	10,078	27,415	16,666						
Events & meetings		13,978	13,978	131,394	8,711	140,105	154,083	124,972						
Org & Staff Development		45,486	45,486	9,250	40,922	50,172	95,658	86,207						
Payments to affiliates		92,205	92,205	63,426	39,072	102,498	194,703	188,325						
Other membership dues		665	665	1,275	5,569	6,844	7,509	10,200						
Insurance		3,155	3,155	3,112	2,935	6,047	9,202	8,479						
Miscellaneous		2,947	2,947	26,619	21,103	47,722	50,669	59,281						
Specific assistance to individuals		24,010	24,010	-	-	-	24,010	17,450						
Total before depreciation		1,633,578	1,633,578	1,527,853	1,222,296	2,750,149	4,383,727	3,995,069						
Depreciation		33,832	33,832	36,279	26,142	62,421	96,253	102,433						
		<u>1,667,410</u>	<u>1,667,410</u>	<u>1,564,132</u>	<u>1,248,438</u>	<u>2,812,570</u>	<u>4,479,980</u>	<u>4,097,502</u>						
Allocation of organizational administration expense		591,219	591,219	406,678	(997,897)	(591,219)	-	-						
Total functional expenses		<u>2,258,629</u>	<u>2,258,629</u>	<u>1,970,810</u>	<u>250,541</u>	<u>2,221,351</u>	<u>4,479,980</u>	<u>4,097,502</u>						
Total Expenses	\$	<u>7,595,881</u>	\$	<u>9,854,510</u>	\$	<u>1,970,810</u>	\$	<u>250,541</u>	\$	<u>2,221,351</u>	\$	<u>12,075,861</u>	\$	<u>12,192,564</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF GREENVILLE COUNTY, INC.

Notes to the Financial Statements

December 31, 2008

(1) **Mission**

The mission of the United Way of Greenville County, Inc. (“United Way”) is to provide leadership in uniting our community to improve people’s lives and build a vital, caring community.

(2) **Summary of Significant Accounting Policies**

Accounting Basis – The accompanying financial statements have been prepared on the accrual basis.

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 116, “Accounting for Contributions Received and Contributions Made”, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Under SFAS No. 117, “Financial Statements of Not-for-Profit Organizations”, the United Way reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets are campaign revenues restricted for future years' operations and for grants and programs restricted for nurturing young children, strengthening families and neighborhoods, and building a healthy community and outreach. Permanently restricted net assets are endowment funds. Earnings from the endowment funds are used for unrestricted purposes.

Cash and Cash Equivalents – United Way considers all highly liquid investments with a maturity of three months or less when originally purchased to be cash equivalents.

United Way maintains bank accounts at various financial institutions covered by the FDIC with insurance up to \$250,000. At times throughout the year, United Way may maintain bank account balances in excess of the FDIC insured limit. The United Way believes it is not exposed to any significant credit risk related to cash. Cash on deposit in excess of \$250,000 is invested in direct obligations of the United States Government or its agencies.

Fair Value Measurements – Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) was issued in 2006 and defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 was effective for the United Way's financial assets and liabilities for the year ended December 31, 2008. The FASB approved a one-year deferral of the adoption of SFAS 157 as it relates to non-financial assets and liabilities measured at fair value on a nonrecurring basis with the issuance in February 2008 of FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*, as a result of which implementation by the United Way is now required for the year ending December 31, 2009. The partial adoption of SFAS 157 in 2008 had no material impact on financial condition, results of operations or cash flows. The United Way is in the process of evaluating SFAS 157 as it relates to non-financial assets and liabilities but does not believe it will have a material impact on the financial statements.

Pledges Receivable – Pledges receivable are recognized as revenues in the period received. An allowance for uncollectible pledges has been estimated based on past collection results.

Property and Equipment – Property and equipment are reported at cost, if purchased, or fair value at the date of donation. Depreciation is computed utilizing the straight-line method over the assets' respective estimated useful lives, which is forty years for the building and three to ten years for furniture and equipment.

Donated Materials and Services – Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. The United Way pays for most services requiring specific expertise; however, a substantial number of volunteers have donated significant amounts of their time to assist the United Way. For the year ended December 31, 2008, approximately \$267,000 was recorded in the statements for specific donated materials and services; no additional amounts have been recorded for volunteer hours or other general services.

Combined Federal Campaign – The United Way serves in Greenville County as the Principal Combined Fund Organization (“PCFO”) for the Combined Federal Campaign (“CFC”), the fund-raising and distribution activity for contributions of Federal employees and members of the armed forces. Accounting records for the CFC, comprised of cash and receivables, are maintained separately in the United Way accounting system. Contributions made through the CFC of Greenville County are included in total campaign results. All CFC contributions are designated to agencies or allocated to agencies as “deemed designated”.

Tax Status – The United Way is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes pursuant to Section 501(a) of the Internal Revenue Code.

New Accounting Pronouncement – FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (“FIN 48”) was issued in 2006 and clarifies the accounting for the recognition and measurement of uncertainties in income taxes for all entities, including not-for-profit organizations.

In accordance with FASB Staff Position No. FIN 48-3, “Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises” (FSP FIN 48-3), the United Way has elected to defer application of the provisions of FASB Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48) as of and for the year ended December 31, 2008. The United Way continues to account for uncertain tax positions in accordance with the principles of Statement of Financial Accounting Standards No. 5 “Accounting for Contingencies,” under which liabilities for uncertain tax positions are recognized in the financial statements when it becomes probable a liability has been incurred and the amount can be reasonably estimated. Unless the deferral is extended further, the United Way will be required to adopt the provisions of FIN 48 for the year ended December 31, 2009. The United Way has not yet determined the effects the adoption of the provisions of FIN 48 will have on the United Way’s financial statements.

(3) **Pledges Receivable**

Pledges receivable represent unconditional promises to give and are usually due within one year. Pledges receivable that are collectable over future periods are discounted to their net present value. Additionally, management provides an estimate of uncollectible pledges for each campaign year. As of December 31, 2008, contributors to the United Way’s annual campaigns have made unconditional promises to give, of which \$13,901,000 will be received within one year. Management has estimated uncollectible pledges of approximately \$1,342,000 and \$1,175,000 for the 2008 campaign and 2007 campaign, respectively. During 2008, the United Way received \$284,000 in unconditional pledges that will be received in two to three years and management has estimated for a discount of approximately \$2,600, using an average discount rate of 0.57%.

In 2005, the United Way purchased a new office building and refurbished it for occupancy in 2006. To help fund the purchase and refurbishment of the new office building, the United Way conducted a capital campaign. Contributors to the United Way’s capital campaign made

unconditional promises to give, and the balance of promises to give at December 31, 2008 totals approximately \$84,069. Pledges are due as reported in the following schedule:

<u>Gross amounts due in:</u>	<u>Amount</u>
2009	\$ 52,069
2010	30,000
2011	<u>2,000</u>
	84,069
Less discount to present value	<u>1,202</u>
Net realizable value	<u>\$ 82,867</u>

(4) **Unrestricted Net Assets**

Unrestricted net assets consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Designated by the governing board	\$ 3,526,793	\$ 2,835,739
Investment in property and equipment	2,129,930	2,156,813
Undesignated for general activities	651,573	594,873
Less: Unfunded pension benefit obligation	<u>(544,312)</u>	<u>(195,000)</u>
Undesignated for general activities, net	<u>107,261</u>	<u>399,873</u>
	<u>\$ 5,763,984</u>	<u>\$ 5,392,425</u>

(5) **Investments**

Investments are presented in the financial statements in the aggregate, at fair market value. Certificates of deposit are carried at the amount invested in the certificates. The fair market value of investments in mutual funds maintained in the endowment funds is based on quoted market prices on public exchanges. Investments consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Certificates of deposit	\$ 2,367,100	\$ 902,114
Equity securities	<u>2,252,020</u>	<u>2,904,857</u>
Total	<u>\$ 4,619,120</u>	<u>\$ 3,806,971</u>

Investment income and gains (losses) are comprised of the following for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Investment income:		
Interest and dividends	\$ 136,736	\$ 158,981
Realized gains on investments	271	1,005
Unrealized gain (loss) on investments	<u>(805,533)</u>	<u>87,452</u>
	<u>\$ (668,526)</u>	<u>\$ 247,438</u>

(6) Endowment Funds Held by Other Organizations

The Community Foundation of Greater Greenville (“Community Foundation”) manages endowment funds amounting to approximately \$2,252,020 at December 31, 2008, from which the income is designated for the United Way. Under the terms of this agreement, the Community Foundation will administer the endowment as part of its assets. The principal is to be maintained inviolate and in perpetuity. The United Way can utilize fund income for board designated and endowment purposes with the approval of its Board of Trustees and the Community Foundation. Gifts totaling \$59,226 were transferred to Community Foundation during 2008. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the United Way 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, The 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 the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the organization and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the organization,
- (7) The investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2008:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (335,906)	\$ 2,587,926	\$ 2,252,020

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

	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 376,157	\$ 2,528,700	\$ 2,904,857
Investment return:			
Investment income	93,470	-	93,470
Net unrealized loss	<u>(805,533)</u>	<u>-</u>	<u>(805,533)</u>
Total investment return	(712,063)	-	(712,063)
Contributions	<u>-</u>	<u>59,226</u>	<u>59,226</u>
Endowment net assets, end of year	\$ <u>(335,906)</u>	\$ <u>2,587,926</u>	\$ <u>2,252,020</u>

(7) **Cash Surrender Value of Life Insurance**

The United Way has purchased insurance on the lives of certain donors. As beneficiary, the United Way receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable. The cash surrender value of the life insurance policies is \$169,479 and \$139,552 at December 31, 2008 and 2007, respectively.

(8) **Leases**

The United Way leases office space for one of its programs. Lease payments for the office are \$2,700 per month and the lease expires on October 31, 2011. Total rental expense amounted to approximately \$27,000 in 2008. Future minimum lease commitments under the operating lease subsequent to December 31, 2008 are: 2009; \$32,400, 2010; \$32,400, 2011; \$27,000.

(9) **Grants Payable**

The United Way makes awards and grants for assistance, education, and other projects in the field of workforce development, child nurturing, and other initiatives. The minimum amount for which the United Way is obligated is recorded upon the board of directors' approval. The amount of grants payable is \$150,185 and \$384,226 at December 31, 2008 and 2007, respectively.

(10) **Retirement Plans**

The United Way sponsors a qualified defined benefit plan covering substantially all employees. Generally, benefits are based on years of service and final average salary. The funding policy is to make annual contributions to the plan equal to the net periodic pension cost. Contributions amounted to \$175,793 and \$177,234 in 2008 and 2007, respectively. Assets of the plan are primarily invested in marketable securities and fixed income securities.

During the year ended December 31, 2007, the United Way implemented the recognition provisions of Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 97, 88, 106, and 132(R), (SFAS 158). The recognition provisions of SFAS 158 are effective for fiscal years ending after June 15, 2007 for non-public entities. The United Way used December 31 as the measurement date in 2008 and 2007. SFAS 158 requires employers to recognize the funded status of plans in the balance sheet. The funded status for the United Way's defined benefit pension plan is measured as the difference between plan assets at fair value and the projected benefit obligation. SFAS 158 also requires disclosure in the financial statements of additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

Information about United Way's defined benefit plan is summarized in the following tables:

	<u>2008</u>	<u>2007</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 1,751,864	\$ 1,623,458
Service cost	115,106	124,078
Interest cost	82,878	78,144
Actuarial (gain)/loss	(207,839)	(63,549)
Benefits paid	<u>(35,864)</u>	<u>(10,267)</u>
Benefit obligation at end of year	\$ <u>1,706,145</u>	\$ <u>1,751,864</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 1,556,864	\$ 1,336,922
Actual return on plan assets	(534,960)	52,975
Employer contributions	175,793	177,234
Benefits paid	<u>(35,864)</u>	<u>(10,267)</u>
Fair value of plan assets at end of year	\$ <u>1,161,833</u>	\$ <u>1,556,864</u>
Funded status at end of year:		
Funded status of the plan (under-funded)	\$ <u>(544,312)</u>	\$ <u>(195,000)</u>
Amounts recognized in the statement of financial position:		
Noncurrent liabilities	\$ <u>(544,312)</u>	\$ <u>(195,000)</u>
Amounts recognized in accumulated unrestricted net assets:		
Total net (gain)/loss	\$ 697,061	\$ 266,645
Prior service cost/(credit)	<u>787</u>	<u>344</u>
Total accumulated unrestricted net assets	\$ <u>697,848</u>	\$ <u>266,989</u>

Weighted average assumptions used to determine benefit obligations:

Discount rate	6.00%	5.50%
Rate of compensation increase	5.16%	5.12%

Components of net periodic benefit cost:

Service cost	\$ 115,106	\$ 124,078
Interest cost	82,878	78,144
Expected return on plan assets	(111,997)	(102,705)
Amortization of net (gain)/loss	8,702	13,703
Amortization of prior service cost/(credit)	(443)	(443)
Effect of special events	-	-
Net periodic benefit cost	<u>\$ 94,246</u>	<u>\$ 112,777</u>

Other changes recognized in unrestricted net assets:

Net (gain)/loss	\$ 439,118	\$ (13,819)
Amortization of net gain/(loss)	(8,702)	(13,703)
Amortization of prior services (cost)/credit	<u>443</u>	<u>443</u>
Total recognized in accumulated unrestricted net assets	<u>\$ 430,859</u>	<u>\$ (27,079)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ 525,105</u>	<u>\$ 85,698</u>

Weighted average assumptions:

	<u>2008</u>	<u>2007</u>
Discount rate	5.50%	5.25%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	5.12%	5.12%

Basis Used to Determine Expected Long Term Return on Plan Assets – Historical and future expected returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premiums for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

Comparison of Obligations to Plan Assets – The projected benefit obligation for the defined benefit pension plan was \$1,706,145 and \$1,751,864 at December 31, 2008 and 2007, respectively. The accumulated benefit obligation for the defined benefit pension plan was \$1,274,097 and \$1,283,395 at December 31, 2008 and 2007, respectively. The fair value of plan assets for the defined benefit plan was \$1,161,833 and \$1,556,864 at December 31, 2008 and 2007, respectively.

Plan Assets by Category – The Plan’s weighted average asset allocations are as follows:

	<u>2008</u>	<u>2007</u>
Equity securities	58%	59%
Debt securities	33%	33%
Real estate	<u>9%</u>	<u>8%</u>
	<u>100%</u>	<u>100%</u>

Expected Cash Contributions – The United Way expects to contribute \$218,000 to its pension plan in 2009.

Estimated Future Benefit Payments – The following benefit payments, which reflect expected future services, are expected to be paid over the next ten years:

2009	\$ 470,000
2010	14,000
2011	150,000
2012	16,000
2013	97,000
Years 2014- 2018	<u>810,000</u>
	<u>\$ 1,557,000</u>

In addition, the United Way has a Section 403(b) qualified defined contribution plan. The United Way is committed to matching 50% of the first 4% of salary contributions for the thrift plan by each employee. Employer contributions to the thrift plan totaled \$29,625 and \$28,735 in 2008 and 2007, respectively.

(11) **Fair Value of Financial Instruments**

The United Way adopted the provisions of SFAS No. 157 Fair Value Measurements (Statement 157) on January 1, 2008. Statement 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Statement 157 does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. Statement 157 creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

Statement 157 defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the United Way considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable

data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable. The United Way's investments in trading securities and endowment funds held by other organization in the amounts of \$2,367,100 and \$2,252,020, respectively, at December 31, 2008 using level 1 inputs. The United Way has no assets or liabilities that use Level 2 or Level 3 inputs.

Among the United Way's assets, investment trading securities were reported at their fair values on a recurring basis.

(12) **Functional Expenses**

Services provided directly by United Way include expenses incurred in each of the following service areas for the year:

	<u>2008</u>	<u>2007</u>
Services and Outreach	\$ 635,280	\$ 647,416
Nurturing Young Children	606,767	583,639
Helping Youth Succeed	151,941	268,591
Strengthening Families & Neighborhoods	50,943	246,849
Workforce Development	294,720	-
Graduate Greenville	357,677	-
Building a Healthy Community	37,000	158,621
Care for Neighbors in Crisis	<u>124,301</u>	<u>126,034</u>
	<u>\$ 2,258,629</u>	<u>\$ 2,031,150</u>