

United Way of Greenville County, Inc.

Financial Statements

Year Ended December 31, 2017

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of the United Way of Greenville County, Inc. ("United Way") as of December 31, 2017, and the related statements of activities, cash flows, and allocations and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the United Way's preparation and fair presentation of the 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 United Way'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 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 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, 2017, and the results of their activities and cash flows for the year then ended in accordance 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, 2016, from which the summarized information was derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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* is presented for purposes of additional analysis and are also not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the 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 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 July 9, 2018 on our consideration of United Way of Greenville County, 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 that 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's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
July 9, 2018**

United Way of Greenville County, Inc.
Statement of Financial Position
December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,806,562	\$ 4,829,099
Restricted cash	201,617	188,179
Certificates of deposit, current portion	826,206	961,918
Pledges receivable:		
Fiscal year 2017/16 (less allowance for uncollectible pledges of approximately \$1,240,000 in 2017)	9,259,128	-
Fiscal year 2016/17 (less allowance for uncollectible pledges of approximately \$1,330,000 and \$1,122,000 in 2017 and 2016, respectively)	1,181,090	8,776,508
Fiscal year 2015/16 (less allowance for uncollectible pledges of approximately \$1,142,000 and \$1,334,000 in 2017 and 2016, respectively)	-	936,488
Total current portion of pledges receivable, net	<u>10,440,218</u>	<u>9,712,996</u>
Accrued interest	357	2,344
Investments	30,584	29,191
Other receivables	529,975	492,947
Prepaid expenses	70,533	95,044
Total current assets	<u>16,906,052</u>	<u>16,311,718</u>
Certificates of deposit, excluding current portion	253,536	113,160
Endowment funds held by other organization	6,503,209	6,048,135
Cash surrender value of life insurance policies	834,260	719,673
Property and equipment:		
Land	267,000	267,000
Building	2,628,903	2,624,153
Office furniture and equipment	1,393,179	1,360,367
	<u>4,289,082</u>	<u>4,251,520</u>
Less accumulated depreciation	1,623,829	1,431,016
Property and equipment, net	<u>2,665,253</u>	<u>2,820,504</u>
Pledges receivable:		
Fiscal year 2017/18 (less discount for future pledges of approximately \$10 in 2016)	-	1,289
Total assets	<u>\$ 27,162,310</u>	<u>\$ 26,014,479</u>

(Continued)

United Way of Greenville County, Inc.
Statement of Financial Position (continued)
December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 632,206	\$ 296,016
Accrued expenses	37,005	35,061
Grants payable	75	75
Due to designated agencies (less related portion of uncollectible pledges of approximately \$122,000 and \$163,000 in 2017 and 2016, respectively)	1,618,291	1,677,314
Funds held for others	53,679	57,153
Deferred revenue - cost reimbursement on designations	193,190	255,401
Total current liabilities	<u>2,534,446</u>	2,321,020
Assets managed for others	147,963	180,996
Unfunded pension benefit obligation	1,632,862	942,275
Total liabilities	<u>4,315,271</u>	3,444,291
Net assets:		
Unrestricted:		
Designated by board:		
Community initiatives	1,716,959	1,574,559
Funded operating reserve	1,739,787	1,872,732
Total designated by board	<u>3,456,746</u>	3,447,291
Undesignated, including investment in property plant and equipment of approximately \$2,665,000 and \$2,821,000 in 2017 and 2016, respectively	766,538	1,745,284
Total unrestricted	<u>4,223,284</u>	5,192,575
Temporarily restricted	11,808,794	10,865,917
Permanently restricted	6,814,961	6,511,696
Total net assets	<u>22,847,039</u>	22,570,188
Total liabilities and net assets	<u>\$ 27,162,310</u>	<u>\$ 26,014,479</u>

See accompanying notes.

United Way of Greenville County, Inc.
Statement of Activities
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined Total
Revenues, gains and other support:				
Total campaign contributions	\$ 2,611,739	\$ 15,326,949	\$ -	\$ 17,938,688
Less donor designations	(770,936)	(3,897,942)	-	(4,668,878)
Campaign revenue less donor designations	1,840,803	11,429,007	-	13,269,810
Provision for uncollectible pledges	(207,739)	(1,240,208)	-	(1,447,947)
Total net campaign revenue	1,633,064	10,188,799	-	11,821,863
Contributions received in prior years released from restriction, net	9,880,920	(9,880,920)	-	-
Net campaign revenue	11,513,984	307,879	-	11,821,863
Other contributions, net	298,032	125,838	188,678	612,548
Gifts in kind contributions	501,130	-	-	501,130
Private and government grants	1,876,016	186,100	-	2,062,116
Net investment income	8,554	149,337	-	157,891
Donor designation and other fees	198,447	10	-	198,457
Total revenues, gains and other support, net	14,396,163	769,164	188,678	15,354,005
Other releases:				
Grants received in prior year released from restriction	371,892	(371,892)	-	-
Total revenues, gains and other support net of assets released from restrictions	14,768,055	397,272	188,678	15,354,005
Allocations and other functional expenses:				
Community impact:				
Agency allocations and grants	9,968,790	-	-	9,968,790
Less donor designations	(4,018,782)	-	-	(4,018,782)
Community services and outreach	2,158,666	-	-	2,158,666
Community projects and initiatives	3,373,720	-	-	3,373,720
Total community impact	11,482,394	-	-	11,482,394
Supporting services:				
Community campaign	2,357,488	-	-	2,357,488
Management and general	703,287	-	-	703,287
Total supporting services	3,060,775	-	-	3,060,775
Total expenses	14,543,169	-	-	14,543,169
Change in net assets before net change in pension benefit obligation, gifts in kind, loss on disposal, and net unrealized gains on investments	224,886	397,272	188,678	810,836
Net change in pension benefit obligation	(690,587)	-	-	(690,587)
Gifts in kind	(501,130)	-	-	(501,130)
Loss on disposal of fixed assets	(2,866)	-	-	(2,866)
Net unrealized gains on investments	406	545,605	114,587	660,598
Change in net assets	(969,291)	942,877	303,265	276,851
Net assets, beginning of year	5,192,575	10,865,917	6,511,696	22,570,188
Net assets, end of year	\$ 4,223,284	\$ 11,808,794	\$ 6,814,961	\$ 22,847,039

See accompanying notes.

United Way of Greenville County, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 276,851	\$ (2,319,714)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	201,340	156,176
Loss on the disposal of property and equipment	2,866	81,999
Net unrealized gains on investments	(660,598)	(443,516)
Net realized losses on investments	54	561
Net change in pension benefit obligation	690,587	4,675
Change in operating assets and liabilities:		
Pledges receivable	(725,933)	1,106,266
Notes receivable	-	16,000
Accrued interest and other receivables	(35,041)	146,593
Prepaid expenses	24,511	(18,987)
Accounts payable	336,190	(53,491)
Accrued expenses	1,944	11,571
Grants payable	-	25,677
Due to designated agencies	(59,023)	(126,173)
Funds held for others	(3,474)	650
Assets managed for others	(33,033)	(102,881)
Deferred revenue	(62,211)	69,905
Net cash used by operating activities	<u>(44,970)</u>	<u>(1,444,689)</u>
Cash flows from investing activities:		
Net change from sales and maturities of investments	84,826	611,842
Purchase of property and equipment	(48,980)	(787,171)
Proceeds from sale of property and equipment	25	2,190
Net cash provided (used) by investing activities	<u>35,871</u>	<u>(173,139)</u>
Net decrease in cash and cash equivalents	(9,099)	(1,617,828)
Cash and cash equivalents at beginning of year	<u>5,017,278</u>	<u>6,635,106</u>
Cash and cash equivalents at end of year	\$ <u><u>5,008,179</u></u>	\$ <u><u>5,017,278</u></u>
Reconciliation of cash and cash equivalents to the statement of financial position:		
Cash and cash equivalents	\$ 4,806,562	\$ 4,829,099
Restricted cash	201,617	188,179
Total cash and cash equivalents	\$ <u><u>5,008,179</u></u>	\$ <u><u>5,017,278</u></u>

See accompanying notes.

United Way of Greenville County, Inc.
Statement of Allocations and Functional Expenses
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	Community Impact			Total Community Impact	Supporting Services		Total Supporting Services	Totals	
	Allocations and Grants	Community Services and Outreach	Community Projects and Initiatives		Community Campaign	Management and General		2017	2016
Allocations and grants	\$ 9,968,790			\$ 9,968,790			\$ 9,968,790	\$ 10,210,178	
Designations	(4,018,782)			(4,018,782)			(4,018,782)	(3,699,126)	
	<u>5,950,008</u>			<u>5,950,008</u>			<u>5,950,008</u>	<u>6,511,052</u>	
Functional expenses:									
Salaries and services		766,624	663,536	1,430,160	805,933	1,090,652	1,896,585	3,326,745	3,508,666
Employee benefits		179,075	164,446	343,521	224,351	305,605	529,956	873,477	843,235
Payroll taxes		60,916	56,246	117,162	65,610	83,447	149,057	266,219	276,021
Study, consultant, audit and professional fees		46,151	583,484	629,635	-	86,676	86,676	716,311	801,225
IT costs and software user fees		46,926	14,961	61,887	13,737	67,828	81,565	143,452	117,338
Supplies		63,224	25,168	88,392	43,145	17,699	60,844	149,236	156,001
Telephone		8,935	975	9,910	7,904	14,758	22,662	32,572	47,539
Postage		780	173	953	5,961	2,848	8,809	9,762	13,012
Occupancy		24,115	-	24,115	21,243	25,404	46,647	70,762	86,959
Equipment maintenance		2,838	-	2,838	3,487	4,222	7,709	10,547	9,603
Printing and promotional materials		13,993	13,796	27,789	92,703	16,668	109,371	137,160	136,863
Travel - local		3,252	31,531	34,783	6,348	1,886	8,234	43,017	43,341
Events and meetings		57,887	45,560	103,447	154,262	38,744	193,006	296,453	334,488
Organization and staff development		25,552	27,572	53,124	6,027	39,581	45,608	98,732	95,366
Payments to affiliates		56,448	47,040	103,488	74,794	89,846	164,640	268,128	253,681
Membership dues		5,985	310	6,295	1,800	9,042	10,842	17,137	12,091
Insurance		13,554	500	14,054	8,073	10,017	18,090	32,144	18,022
Miscellaneous		(902)	1,413	511	(34)	6,366	6,332	6,843	8,079
Recruiting and moving		11,109	49	11,158	9,000	71,402	80,402	91,560	47,537
Bank, merchant and third-party processor fees		53	-	53	100	42,966	43,066	43,119	53,685
Deferred giving - donor life insurance premiums		-	-	-	167,588	-	167,588	167,588	182,405
Specific assistance to individuals		27,066	35,070	62,136	-	725	725	62,861	66,943
Grants to organizations		233,569	1,210,577	1,444,146	-	750	750	1,444,896	1,640,500
Program partnerships (2-1-1 Service)		-	83,100	83,100	-	-	-	83,100	83,100
Total before depreciation		1,647,150	3,005,507	4,652,657	1,712,032	2,027,132	3,739,164	8,391,821	8,835,700
Depreciation		69,659	-	69,659	59,997	71,684	131,681	201,340	156,176
		<u>1,716,809</u>	<u>3,005,507</u>	<u>4,722,316</u>	<u>1,772,029</u>	<u>2,098,816</u>	<u>3,870,845</u>	<u>8,593,161</u>	<u>8,991,876</u>
Allocation of management and general expenses		441,857	368,213	810,070	585,459	(1,395,529)	(810,070)	-	-
Total functional expenses		<u>2,158,666</u>	<u>3,373,720</u>	<u>5,532,386</u>	<u>2,357,488</u>	<u>703,287</u>	<u>3,060,775</u>	<u>8,593,161</u>	<u>8,991,876</u>
Total allocations and functional expenses	\$ <u>5,950,008</u>	\$ <u>2,158,666</u>	\$ <u>3,373,720</u>	\$ <u>11,482,394</u>	\$ <u>2,357,488</u>	\$ <u>703,287</u>	\$ <u>3,060,775</u>	\$ <u>14,543,169</u>	\$ <u>15,502,928</u>

See accompanying notes.

Notes to Financial Statements

1. Mission

The mission of United Way of Greenville County, Inc. (“United Way”) is to bring people and resources together to build a Cycle of Success, where all children in Greenville County start school prepared to learn and go on to graduate, well-educated graduates find good jobs and create stable homes, and children from stable homes continue the cycle because they start school on track and prepared for success.

2. Summary of Significant Accounting Policies

Accounting basis

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

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 covered by the Federal Deposit Insurance Corporation (“FDIC”). At times throughout the year, United Way may maintain bank account balances in excess of the FDIC insured limit. Management does not believe that United Way is exposed to any significant credit risk related to cash.

Restricted and unrestricted revenue and support

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. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (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 on the Statement of Activities as net assets released from restrictions.

Temporarily restricted net assets are campaign revenues and other support restricted for future years’ operations and for grants and programs restricted for nurturing young children, strengthening families and neighborhoods, building a healthy community and outreach. Permanently restricted net assets are endowment funds. Earnings from the endowment funds are recorded as temporarily restricted net assets. A portion of those earnings may be used for unrestricted purposes in accordance with the board-approved Endowment Funds Spending Policy.

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.

United Way of Greenville County, Inc.
Notes to Financial Statements

Investments

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

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. United Way's policy is to capitalize property and equipment which costs \$1,000 or greater. 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 office 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. 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, 2017, approximately \$501,000 was recorded on the statement of activities for specific donated materials and specialized services; no additional amounts have been recorded for volunteer hours or other general services.

Income taxes

United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. United Way has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2017.

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, 2017, contributors to United Way's annual campaigns have made unconditional promises to give, of which approximately \$14,152,000 will be received within one year. Management has estimated uncollectible pledges of approximately \$3,712,000 for the 2017, 2016, and 2015 campaigns.

United Way of Greenville County, Inc.
Notes to Financial Statements

4. Unrestricted Net Assets

Unrestricted net assets at December 31, 2017 consist of the following:

Designated by board:

Community initiatives	\$ 1,716,959
Funded operating reserve	<u>1,739,787</u>
Total designated by board	<u>3,456,746</u>
Investment in property and equipment	2,665,253
Undesignated for general activities	(265,853)
Less: Unfunded pension benefit obligation	<u>(1,632,862)</u>
Undesignated for general activities, net	<u>766,538</u>
	<u>\$ 4,223,284</u>

United Way's deficit in undesignated net assets for general activities of approximately \$266,000 as of December 31, 2017 is fully funded through the use of the approximately \$1,740,000 in operating reserves.

5. Investments

Investments are included in the following statement of financial position captions at December 31, 2017:

Certificates of deposit	\$ 1,079,742
Endowment funds held by other organization	6,503,209
Cash surrender value of life insurance policies	834,260
Investments	<u>30,584</u>
Total	<u>\$ 8,447,795</u>

Net investment income is comprised of the following for the year ended December 31, 2017:

Interest and dividends	\$ 157,945
Net realized losses on investments	<u>(54)</u>
Total	<u>\$ 157,891</u>

6. Cash Surrender Value of Life Insurance

United Way has purchased insurance on the lives of certain donors. As beneficiary, 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 approximately \$834,000 at December 31, 2017.

United Way of Greenville County, Inc.
Notes to Financial Statements

7. Fair Value Disclosures

The Fair Value provision defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provision does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. The provision 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.

The provision 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, 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.

Among United Way's assets, investments and cash surrender value of life insurance policies were reported at their fair values on a recurring basis.

For assets carried at fair value, the following tables provide estimated fair value information as of December 31, 2017:

Assets measured at <i>fair value</i>	Fair value at December 31, 2017	Fair value measurements at December 31, 2017 using:		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Equity investments:				
Consumer goods	\$ 19,545	\$ 19,545	\$ -	\$ -
Industrial goods	11,039	11,039	-	-
Global/International equity	1,812,444	1,812,444	-	-
Large cap blend	1,370,226	1,370,226	-	-
Mid/Small cap	403,849	403,849	-	-
Debt investments:				
Fixed income	1,189,437	1,189,437	-	-
Alternative investments:				
Hedge funds	464,329	-	-	464,329
Inflation hedge funds	856,473	-	-	856,473
Liquid alternatives	406,451	-	-	406,451
Cash surrender value of life insurance policies	<u>834,260</u>	<u>-</u>	<u>834,260</u>	<u>-</u>
Total assets at fair value	<u>\$ 7,368,053</u>	<u>\$ 4,806,540</u>	<u>\$ 834,260</u>	<u>\$ 1,727,253</u>

Omitted in the table above are certificates of deposits, described in Note 5, totaling approximately \$1,080,000.

United Way of Greenville County, Inc.
Notes to Financial Statements

8. Endowment Funds Held by Other Organization

The Community Foundation of Greenville (“Community Foundation”) manages endowment funds approximating \$6,503,000 at December 31, 2017, 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 United Way can utilize fund income for board designated and endowment purposes with the approval of its Board of Trustees (the “Board”) and the Community Foundation.

As required by generally accepted accounting principles, 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, 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 United Way in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the United Way 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.

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 438,947	\$ 6,354,635	\$ 6,793,582
Investment return:			
Net investment income	149,337	-	149,337
Net unrealized gains on investments	<u>545,605</u>	<u>114,587</u>	<u>660,192</u>
Total investment return	694,942	114,587	809,529
Contributions	-	188,678	188,678
Distributions	<u>(355,220)</u>	<u>-</u>	<u>(355,220)</u>
Endowment net assets, end of year	<u>\$ 778,669</u>	<u>\$ 6,657,900</u>	<u>\$ 7,436,569</u>

United Way of Greenville County, Inc.
Notes to Financial Statements

9. Grants Payable

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 United Way is obligated is recorded upon the Board of Trustees' approval. The amount of grants payable is approximately \$- at December 31, 2017.

10. Allocations Payable

United Way's Board of Trustees establishes an amount of allocations to be paid to local agencies and receives funding requests from agencies that the Board reviews based on certain criteria. At December 31, 2017, United Way had paid all outstanding allocations and there is no remaining payable.

11. Deferred Revenue

United Way applies an administrative processing fee related to designations to recipient agencies specified by donors. The amount of the processing fees is recorded as revenue and is withheld from the amount that United Way disburses to the recipient agencies. Deferred revenue of approximately \$193,000 at December 31, 2017 represents cost reimbursements on designations that are payable at December 31, 2017.

12. Assets Managed for Others

United Way holds funds belonging to the Nicholatown Child and Family Collaborative ("NCFC"), a collaboration of various not for profit organizations for which United Way serves as an agent with no influence on operations. In 2017, United Way held approximately \$148,000 in long term liabilities to reimburse NCFC expenses.

13. Retirement Plans

United Way sponsors a qualified defined benefit plan (the "Plan") covering substantially all employees. Benefits are based on eligibility and vesting requirements and highest three consecutive years of last ten years of service. The funding policy is to make annual contributions to the Plan equal to the net periodic pension cost. Contributions amounted to approximately \$342,000 in 2017. Assets of the Plan are primarily invested in marketable securities and fixed income securities.

United Way recognizes the funded status of the Plan on the statement of financial position at December 31, 2017. The funded status for the Plan is measured as the difference between plan assets at fair value and the projected benefit obligation.

Cost Method

The projected unit credit cost method is used to determine the information about the Plan, summarized below. This method calculates each member's plan benefit as it accrues recognizing future salary increases to assumed retirement age. Each member's service cost is the present value of the benefit which will accrue during the year using expected future salary for salary related benefits. The projected benefit obligation is the present value of projected benefits based on service accrued to date.

United Way of Greenville County, Inc.
Notes to Financial Statements

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

Change in projected benefit obligation:	
Benefit obligation at beginning of year	\$ 3,421,490
Service cost	378,344
Interest cost	132,346
Actuarial loss	<u>718,695</u>
Benefit obligation at end of year	<u>\$ 4,650,875</u>
Change in plan assets:	
Fair value of plan assets at beginning of year	\$ 2,479,215
Actual return on plan assets	253,900
Employer contributions	341,568
Benefits paid	<u>(56,670)</u>
Fair value of plan assets at end of year	<u>\$ 3,018,013</u>
Funded status at end of year:	
Funded status of the plan (under-funded)	<u>\$ (1,632,862)</u>
Amounts recognized in the statement of financial position:	
Unfunded pension benefit obligation	<u>\$ (1,632,862)</u>
Components of net periodic benefit cost:	
Service cost	\$ 378,344
Interest cost	132,346
Expected return on plan assets	(188,729)
Amortization of net loss	<u>58,562</u>
Net periodic benefit cost	<u>\$ 380,523</u>
Other changes recognized in unrestricted net assets:	
Net gain	\$ (521,465)
Amortization of net loss	<u>(58,562)</u>
Total recognized in unrestricted net assets	<u>\$ (580,027)</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (199,504)</u>
Weighted average assumptions:	
Discount rate	3.50%
Expected return on plan assets	7.50%
Rate of compensation increase	3.00%

United Way of Greenville County, Inc.
Notes to Financial Statements

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.

Plan Assets by Category

The Plan's weighted average asset allocations are as follows:

Collective investment funds	20%
Mutual funds	48
Fixed income securities	32
	100%

Expected Cash Contributions

The United Way expects to contribute \$300,000 to the plan in 2018.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future services, are expected to be paid:

2018	\$ 138,956
2019	256,252
2020	262,178
2021	53,741
2022	154,691
Years 2023- 2027	1,325,217
	\$ 2,191,035

For Plan assets carried at fair value, the following tables provide fair value information as of December 31, 2017:

Assets measured at <i>fair value</i>	Fair value at December 31, 2017	Fair value measurements at December 31, 2017 using:		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Collective investment fund	\$ 595,099	\$ -	\$ 595,099	\$ -
Fixed income	978,410	978,410	-	-
Mutual funds	1,444,504	1,444,504	-	-
Total assets at fair value	\$ 3,018,013	\$ 2,422,914	\$ 595,099	\$ -

In addition to the Plan, 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 approximately \$42,000 in 2017.

United Way of Greenville County, Inc.
Notes to Financial Statements

14. Related Party Transactions

United Way holds various deposit and investment accounts with financial institutions at which United Way Board members are employed in executive and management roles.

15. Subsequent Events

Subsequent events have been evaluated through July 9, 2018, which is the date the financial statements were available to be issued.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Greenville County, Inc. (the "United Way"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and allocations and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the United Way'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the United Way's financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the United Way'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 United Way's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Greenville, South Carolina

July 9, 2018

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited United Way of Greenville County, Inc.'s (the "United Way") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the United Way's major federal program for the year ended December 31, 2017. The United Way's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the major federal program. However, our audit does not provide a legal determination of the United Way's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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.

Dixon Hughes Goodman LLP

**Greenville, South Carolina
July 9, 2018**

United Way of Greenville County, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Total Federal Expenditures	Expenditures to Subrecipients
Direct Programs:				
Corporation for National and Community Service:				
Volunteers in Service to America	94.013	N/A	\$ 16,594	\$ -
Social Innovation Fund: On-Track Greenville	94.019	N/A	1,139,697	946,458
Department of Treasury:				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N/A	68,992	30,227
Total Expenditures of Direct Programs			1,225,283	976,685
Indirect Programs:				
Corporation for National and Community Service:				
Passed through the United Way Association of South Carolina				
Commission on National and Community Service:				
AmeriCorps	94.006	15AC172581/ 16ES183965	309,907	-
US Department of Homeland Security (DHS)				
Passed through United Way Worldwide:				
Emergency Food and Shelter National Board Program	97.024	34-7418-00	2,115	-
US Department of Agriculture Food and Nutrition Service:				
Passed through the South Carolina Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	4400011703/ 4400014116	228,601	228,601
Total Expenditures of Indirect Programs			540,623	228,601
Total Expenditures of Federal Awards			\$ 1,765,906	\$ 1,205,286

See accompanying notes to the Schedule of Expenditures of Federal Awards

**United Way of Greenville County, Inc.
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017**

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of United Way of Greenville County, Inc. (the "United Way") under programs of the federal government for the year ended December 31, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the United Way, it is not intended to and does not present the financial position, changes in net assets or cash flows of the United Way.

2. Summary of Significant Account Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The United Way has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Contingencies

The United Way's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the United Way expects such amounts, if any, to be immaterial.

**United Way of Greenville County, Inc.
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major program:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X None reported

Type of auditors’ report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section .200.516 of Uniform Guidance?

_____ Yes X No

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
94.019	Social Innovation Fund: On-Track Greenville

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

**United Way of Greenville County, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017**

Section II – Financial Statement Findings

There are no matters that are required to be reported for the year ended December 31, 2017.

Section III – Federal Award Findings and Questioned Costs

There are no matters that are required to be reported for the year ended December 31, 2017.