

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS

Financial Statements

March 31, 2018 and 2017



UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
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Independent Auditors' Report

To the Board of Directors
United Way of Greater Knoxville, Inc. and
Its Operating Divisions

We have audited the accompanying financial statements of United Way of Greater Knoxville, Inc. and Its Operating Divisions (collectively, the "Organization"), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses, and cash flows 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. 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 Organization'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 Organization'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 United Way of Greater Knoxville, Inc. and Its Operating Divisions as of March 31, 2018, and the changes in its net assets and its 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 Organization's March 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rodger Moss & Co, PLLC

Knoxville, Tennessee
May 23, 2018



UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Financial Position
March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,248,474	\$ 12,445,744
Restricted cash (Note 7)	185,397	176,025
Certificates of deposit	2,702,129	3,308,326
Pledges receivable (net of allowance for uncollectible pledges of \$1,296,536 and \$1,486,961 for 2018 and 2017, respectively)	7,617,269	7,757,971
Prepaid expenses and other current assets	47,525	46,886
Other receivables	<u>169,993</u>	<u>184,692</u>
Total current assets	<u>24,970,787</u>	<u>23,919,644</u>
Property and equipment, net (Note 4)	2,565,219	2,632,865
Beneficial interest in assets held by others - endowment (Note 10 & 11)	<u>6,694,625</u>	<u>6,068,862</u>
Total assets	<u>\$ 34,230,631</u>	<u>\$ 32,621,371</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 133,755	\$ 126,068
Grants payable	6,913,044	6,979,185
Amounts designated by donors to specific organizations (Note 2)	<u>2,866,444</u>	<u>2,842,512</u>
Total current liabilities	<u>9,913,243</u>	<u>9,947,765</u>
Net Assets		
Without Donor Restrictions		
Designated by the Board for stabilization reserve and quasi endowment (Note 10)	10,160,885	9,519,851
Undesignated	<u>11,935,547</u>	<u>10,954,755</u>
Total without donor restrictions	<u>22,096,432</u>	<u>20,474,606</u>
With Donor Restrictions		
Purpose restricted (Note 7)	185,397	176,025
Perpetual in nature	<u>2,035,559</u>	<u>2,022,975</u>
Total with donor restrictions (Note 7)	<u>2,220,956</u>	<u>2,199,000</u>
Total net assets	<u>24,317,388</u>	<u>22,673,606</u>
Total liabilities and net assets	<u>\$ 34,230,631</u>	<u>\$ 32,621,371</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Activities
Year Ended March 31, 2018
(with summarized financial information for the year ended March 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Campaign revenue, support and other				
Campaign revenue				
Campaign results	\$ 13,157,108	\$ -	\$ 13,157,108	\$ 13,677,423
Less amounts designated by donors to specific organizations (Note 2)	(3,266,284)	-	(3,266,284)	(3,150,958)
Less provision for uncollectible pledges receivable	(640,112)	-	(640,112)	(791,307)
Net campaign revenue	<u>9,250,712</u>	<u>-</u>	<u>9,250,712</u>	<u>9,735,158</u>
Support and other				
Bad debt recoveries	672,315	-	672,315	1,471,805
Bequests	644	-	644	945,890
Investment return, net (Note 3)	736,616	12,583	749,199	598,492
Donated in-kind services (Note 1)	1,092,319	-	1,092,319	157,585
Other contributions	118,264	-	118,264	86,504
Grant income	74,386	-	74,386	69,233
Management fee income	92,635	-	92,635	67,742
Miscellaneous	(3,250)	-	(3,250)	(174)
Other net assets released from restrictions	(9,373)	9,373	-	-
Total support and other	<u>2,774,556</u>	<u>21,956</u>	<u>2,796,512</u>	<u>3,397,077</u>
Total net campaign revenue, support and other	<u>12,025,268</u>	<u>21,956</u>	<u>12,047,224</u>	<u>13,132,235</u>
Grants and designations				
Community impact grants and designations	10,483,656	-	10,483,656	10,083,550
Less amounts designated by donors to specific organizations (Note 2)	(3,266,284)	-	(3,266,284)	(3,150,958)
Net grants	<u>7,217,372</u>	<u>-</u>	<u>7,217,372</u>	<u>6,932,592</u>
Functional expenses				
Program services	273,508	-	273,508	296,212
Support services	2,912,562	-	2,912,562	2,123,427
Total functional expenses	<u>3,186,070</u>	<u>-</u>	<u>3,186,070</u>	<u>2,419,639</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Activities (Continued)
Year Ended March 31, 2018
(with summarized financial information for the year ended March 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Total grants and functional expenses	10,403,442	-	10,403,442	9,352,231
Change in net assets	1,621,826	21,956	1,643,782	3,780,004
Net assets at the beginning of the year	20,474,606	2,199,000	22,673,606	18,893,602
Net assets at the end of the year	\$ 22,096,432	\$ 2,220,956	\$ 24,317,388	\$ 22,673,606



UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Functional Expenses
Year Ended March 31, 2018
(with summarized financial information for the year ended March 31, 2017)

	PROGRAM SERVICES					SUPPORT SERVICES			2018	2017
	Health	Education	Income	Community Impact	Total Program Services	Resource Development	Management and General	Total Support Services	Total Program and Support Services	Total Program and Support Services
Personnel expenses										
Salaries and related expenses	\$ 2,525	\$ 15,515	\$ 5,766	\$ 165,312	\$ 189,118	\$ 690,241	\$ 487,044	\$ 1,177,285	\$ 1,366,403	\$ 1,394,810
Non-personnel expenses										
Donated services	-	-	-	-	-	1,092,319	-	1,092,319	1,092,319	157,585
Membership dues and permits	1	13	5	24,114	24,133	98,147	40,761	138,908	163,041	158,100
Media, brochures and advertising	-	126	-	143	269	129,718	557	130,275	130,544	26,991
Depreciation	170	1,035	387	9,394	10,986	39,720	27,892	67,612	78,598	77,171
Rental and maintenance of equipment	141	810	306	15,417	16,674	35,278	23,678	58,956	75,630	91,171
Meetings and events	144	1,011	376	610	2,141	59,108	5,126	64,234	66,375	161,042
Professional and contract fees	-	-	10,000	14	10,014	14,114	34,020	48,134	58,148	159,478
Supplies	96	1,990	149	4,600	6,835	38,287	4,910	43,197	50,032	64,073
Building occupancy	98	604	223	5,419	6,344	23,143	16,735	39,878	46,222	44,745
Insurance	38	221	83	2,068	2,410	8,722	6,120	14,842	17,252	19,034
Auto allowances and car	107	765	22	1,994	2,888	8,376	2,359	10,735	13,623	16,507
Postage and shipping	-	-	-	175	175	9,955	3,112	13,067	13,242	5,643
Telephone	23	138	52	1,268	1,481	5,339	4,895	10,234	11,715	19,611
Staff development	25	15	-	-	40	64	2,822	2,886	2,926	23,678
Total non-personnel expenses	843	6,728	11,603	65,216	84,390	1,562,290	172,987	1,735,277	1,819,667	1,024,829
Total functional expenses	\$ 3,368	\$ 22,243	\$ 17,369	\$ 230,528	\$ 273,508	\$ 2,252,531	\$ 660,031	\$ 2,912,562	\$ 3,186,070	\$ 2,419,639

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,643,782	\$ 3,780,004
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	78,598	77,171
Unrealized gain on endowment	(10,726)	(249,770)
Realized gain on endowment	(412,744)	(204,010)
Decrease in allowance for uncollectible pledges	(190,425)	(1,109,353)
Net (earnings) loss from endowment fund	(202,293)	207,163
Decrease (increase) in assets:		
Pledges receivable	331,127	602,750
Prepaid items and other current assets	(639)	(24,079)
Other receivables	14,699	(7,004)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	7,687	26,917
Grants payable	(66,141)	(214,484)
Amounts designated by donors for specific organizations	<u>23,932</u>	<u>(255,539)</u>
Net cash from operating activities	<u>1,216,857</u>	<u>2,629,766</u>
Cash Flows From Investing Activities		
Redemptions (investments) in certificates of deposit, net	606,197	(13,822)
Acquisition of property and equipment	<u>(10,952)</u>	<u>(12,028)</u>
Net cash from investing activities	<u>595,245</u>	<u>(25,850)</u>
Net change in cash, cash equivalents, and restricted cash	1,812,102	2,603,916
Cash, cash equivalents, and restricted cash at the beginning of the year	<u>12,621,769</u>	<u>10,017,853</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u>\$ 14,433,871</u>	<u>\$ 12,621,769</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements
March 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The United Way of Greater Knoxville, Inc. and Its Operating Divisions, the United Ways of Union, Jefferson, and Grainger Counties (collectively, the "Organization"), is a non-profit organization which provides supporting services and other assistance to public and private agencies and community organizations to meet the human service needs of the general public of Greater Knoxville, Union County, Jefferson County, and Grainger County, Tennessee.

Combined Financial Statements - The financial statements include United Way of Greater Knoxville, Inc. and Its Operating Divisions: the United Ways of Union, Jefferson, and Grainger Counties. All interdivisional transactions have been eliminated.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 generally accepted accounting principles ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash - Restricted cash consists of funds held by the Monday Trustees as further described in Note 7 to the financial statements.

Revenue Recognition - The Organization records pledges and contributions received as without donor restrictions or with donor restrictions support depending on the existence and nature of any donor restrictions. Pledges receivable are recognized when the donors makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted pledges are reported as increases in net assets with donor restrictions. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "other net assets released from restrictions."

Allowance for Uncollectible Pledges - The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior experience and management's analysis of specific pledges made. Periodically, management reviews pledges receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the cost of staff time identified to those specific programs and activities.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property and Equipment - Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or time of use. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization capitalizes property and equipment with an original cost of at least \$750. Depreciation is computed on the straight-line method over the estimated useful lives of the assets and is considered a cost of operations.

Donated In-Kind Advertising Services - The value of donated in-kind advertising services has been recorded as in-kind revenue and expensed in the amounts of \$1,092,319 and \$157,585 for 2018 and 2017, respectively, and is included in the Statements of Activities. Of these amounts, \$100,991 and \$157,585 is for advertising services donated by United Way Worldwide for 2018 and 2017, respectively. In 2018, Scripps Networks Interactive donated advertising services and covered costs associated with campaign events and media during the fiscal year. Throughout the year, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. No value has been assigned to this volunteer time.

Income Tax Status - The Organization is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code ("IRC") §501(c)(3). Accordingly, no provision for federal income taxes has been made. Management is not aware of any uncertain tax positions as of March 31, 2018.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2017, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

The Organization is not aware of any unrelated business income that would trigger a taxable event for the tax years still open for examination.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could vary from those estimates.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give receivable. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. Insurance coverage is limited to \$250,000 per depositor at each financial institution, and the Organization's cash balances may exceed federally insured limits.

For the years ended March 31, 2018 and 2017, three donor groups made up 30% and 32% of contributions, respectively. It should be noted that, of the three donor groups, two have changed ownership during fiscal year 2018. While it is reasonable that a change in commitment to the Organization's efforts could occur, management does not expect the change to be significant.

Reclassifications - Certain reclassifications have been made to the 2017 balances in order to conform to the 2018 presentation with no effect on the previously reported net assets or change in net assets.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Recent Adopted New Accounting Pronouncements - In November 2016, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) No. 2016-18, Statement of Cash Flows*, which amends *FASB Codification Topic 230: Statement of Cash Flows*, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The objective of the ASU is to provide guidance on the presentation for the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents on the statement of cash flows.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) No. 2016-14, Presentation of Financial Statements For Not-For-Profit Entities*, which amends *FASB Codification Topic 958: Not-For-Profit Entities*, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The objective of the ASU is to (1) improve the usefulness of information provided to donors, grantors, creditors and other users of a Not-For-Profit’s (“NFP”) financial statements, (2) reduce complexities or costs for preparers or users of financial statements and (3) both improve usefulness and reduce complexities or costs.

The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing complexity of how they are reported. Net Assets are to be reported in the following two categories: Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions. Enhanced disclosure in the notes to financial statements will provide useful information about the nature, amounts, and effects of various types of donor-imposed restrictions. Simplifying the face of the financial statements will enable NFP’s to continue to provide more useful information about an entity’s resources and changes in those resources and will allow a user of the entity’s financial statements to assess (1) the availability of resources to meet cash needs for general expenditures within one year of the date of the statement of financial position, (2) liquidity and financial flexibility, (3) financial performance during the period, (4) service efforts and ability to continue providing services, and (5) execution of its stewardship responsibilities and other aspects of its management performance.

The ASU continues to allow NFP’s to present operating cash flows using either the direct or indirect method by choosing the method that best serves the informational needs of their users. If the NFP elects to use the direct method for reporting its cash flows, it is no longer required to include the indirect reconciliation on the face of the cash flow statement.

The ASU will require a NFP entity to report its investment return net of external and direct internal expenses and provides a more comparable measure of investment returns.

The Organization has chosen to early adopt these ASU’s and has applied the changes retrospectively to the prior year financial statement amounts included within these financial statements.

Date of Management’s Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - AMOUNTS DONATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$3,266,284 and \$3,150,958 of amounts designated by donors for specific organizations as a portion of total campaign results on the Statements of Activities for the fiscal years ended March 31, 2018 and 2017, respectively. These amounts include funds pledged to the Organization but designated by the donor to other organizations.

The Organization does not retain variance power related to these designations. They are treated as agency transactions rather than contributions and are reflected as liabilities of the Organization. The Statements of Activities show a reduction of campaign results for these pledges and also a reduction of grant expense for the pledges.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 2 - AMOUNTS DONATED BY DONORS FOR SPECIFIC ORGANIZATIONS - (Continued)

Included in the total designations of \$3,462,033 and \$3,485,290 for fiscal years 2018 and 2017, respectively, are pass through donations totaling \$2,561,372 and \$2,633,895 designated to organizations under the condition that funds would not be subject to management fees and other administrative allocations. As of March 31, 2018 and 2017, \$435,000 and \$470,000, respectively, has been collected and disbursed. From the amount recorded as a liability of \$2,866,444 and \$2,842,512 on the balance sheet as of March 31, 2018 and 2017, respectively, \$2,126,372 and \$2,163,895 has been recorded in pledge receivables with an offsetting payable in the designated by donors to specific organizations line item on the face of the financials.

NOTE 3 - NET INVESTMENT RETURN

The net investment returns for the years ended March 31, 2018 and 2017 is as follows:

	2018	2017
Dividends	\$ 220,094	\$ 43,606
Interest income	17,249	20,881
Unrealized gain	10,726	249,770
Realized gain	412,744	204,010
Rental income	101,019	97,591
Other	<u>(12,633)</u>	<u>(17,366)</u>
	<u>\$ 749,199</u>	<u>\$ 598,492</u>

NOTE 4 - PROPERTY AND EQUIPMENT

The following table summarizes the estimated useful lives, cost of purchased land, building and equipment and the fair value of the donated land:

	2018			Total	2017 Total
	Estimated Useful Life	Without Donor Restrictions	With Donor Restrictions		
Land	N/A	\$ 51,050	\$ 1,839,520	\$ 1,890,570	\$ 1,890,570
Building	18 - 32 years	1,389,465	-	1,389,465	1,389,465
Equipment and furniture	5 - 15 years	<u>558,897</u>	-	<u>558,897</u>	<u>594,452</u>
		1,999,412	1,839,520	3,838,932	3,874,487
Accumulated depreciation		<u>(1,273,713)</u>	-	<u>(1,273,713)</u>	<u>(1,241,622)</u>
Property and equipment, net		<u>\$ 725,699</u>	<u>\$ 1,839,520</u>	<u>\$ 2,565,219</u>	<u>\$ 2,632,865</u>

NOTE 5 - PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all employees. Plan benefits are cliff vested after three years. The monthly employer contribution on behalf of a participant is 8.8% of the participant's compensation. The contribution will not exceed the maximum amount allowed by the Internal Revenue Service regulations. The amount contributed by the Organization to the defined contribution plan amounted to \$80,474 and \$75,631 for the fiscal years ended March 31, 2018 and 2017, respectively.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 6 - LAND LEASES AND RELATED RENTAL INCOME

The Organization owns, by deed of gift, the following properties (purpose restricted) and related operating leases:

	2018		2017	
	Recorded Value	Rental Income	Recorded Value	Rental Income
Northgate Shopping Center-Land (Tract I)	\$ 478,800	\$ 65,000	\$ 478,800	\$ 51,398
Northgate Shopping Center-Land (Tract II)	110,720	-	110,720	10,102
Papermill Red Roof Inn - Land	1,250,000	36,019	1,250,000	36,016
Other miscellaneous rents	-	-	-	75
	<u>\$ 1,839,520</u>	<u>\$ 101,019</u>	<u>\$ 1,839,520</u>	<u>\$ 97,591</u>

These land leases are classified as non-cancelable operating leases with remaining terms ranging from 19 to 45 years. Future minimum rental receipts under the non-cancelable operating leases with remaining terms in excess of one year as of March 31, 2018 are as follows:

Year ending March 31,	
2019	\$ 101,019
2020	101,019
2021	101,019
2022	106,853
2023	108,019
Thereafter	<u>2,493,741</u>
	<u>\$ 3,011,670</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods as of March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Monday deed of gift	\$ 1,839,520	\$ 1,839,520
Endowment with donor restrictions	135,042	122,458
Net change in endowment	<u>60,997</u>	<u>60,997</u>
Net assets with donor restrictions - perpetual in nature	<u>\$ 2,035,559</u>	<u>\$ 2,022,975</u>
Net assets with donor restrictions - purpose restricted	<u>\$ 185,397</u>	<u>\$ 176,025</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 8 - CHANGE IN BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The change in beneficial interest in assets held by others is summarized as follows:

	<u>2018</u>	<u>2017</u>
Dividends	\$ 220,094	\$ 43,606
Realized gain	412,744	204,010
Unrealized gain	10,726	249,770
Administrative fees	(18,645)	(17,592)
Other	<u>-</u>	<u>-</u>
Earnings on beneficial interest in assets held by others, net	624,919	479,794
Grants	-	(235,522)
Self funded contributions	<u>844</u>	<u>2,345</u>
Change in beneficial interest in assets held by others	<u>\$ 625,763</u>	<u>\$ 246,617</u>

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

As discussed in Note 1, when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “Net assets released from restrictions”. During the years ended March 31, 2018 and 2017, net assets with donor restrictions of \$107,031 and \$97,591 were received in by the Organization and subsequently spent prior to year end. Accordingly, these funds are reflected as changes in net assets without donor restrictions in the accompanying Statement of Activities.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The net assets without donor restrictions - board designated consists of \$10,160,885 and \$9,519,851 at March 31, 2018 and 2017, respectively, set aside by the Organization’s Board of Directors in the Endowment Fund, Operating Stabilization Reserve (the “Reserve”) and Organization Operating Reserves.

The Reserve was established by the Organization’s Board of Directors on March 31, 2006. The Reserve had balances of \$2,333,623 and \$2,318,352 at March 31, 2018 and 2017, respectively. The Reserve assists in maintaining financial stability for the Organization and can be used to cover unanticipated expenses or pledge collection losses. The recommended balance of the Reserve is determined annually by the Operations Committee based upon a calculation that takes into consideration financial directives of the Organization’s Board of Directors.

The Endowment Fund (the “Fund”) is a Board designated vehicle used to accumulate funds over time with a long-term goal of funding the Organization’s operating expenses from the earnings of the fund. The Fund is managed by the East Tennessee Foundation. Principal may only be removed from the Fund with two consecutive majority votes of the Board of Directors and approval by the East Tennessee Foundation Board of Directors.

UNITED WAY OF GREATER KNOXVILLE, INC.
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Notes to Financial Statements - (Continued)

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED - (Continued)

The activity in the fund for the years ended March 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 6,068,862	\$ 5,822,245
Investment return, net (see Note 8)	<u>625,763</u>	<u>246,617</u>
Balance at the end of the year	<u>\$ 6,694,625</u>	<u>\$ 6,068,862</u>

The balance of the Net Assets Without Donor Restrictions - Designated at March 31, 2018 and 2017 is as follows:

	2018				2017 Total
	Operating	Endowment Fund	Other Reserves	Total	
	Stabilization Reserve				
United Way of Greater Knoxville	\$ 2,333,623	\$ 6,694,625	\$ 1,015,560	\$ 10,043,808	\$ 9,402,774
United Way of Union County	-	-	23,568	23,568	23,568
United Way of Jefferson County	-	-	63,429	63,429	63,429
United Way of Grainger County	-	-	30,080	30,080	30,080
	<u>\$ 2,333,623</u>	<u>\$ 6,694,625</u>	<u>\$ 1,132,637</u>	<u>\$ 10,160,885</u>	<u>\$ 9,519,851</u>

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization values investments using the guidance in Financial Accounting Standards Board Codification 820-10-50-5, which provides a hierarchy by which to measure fair value. Level 1 inputs are based value upon quoted prices for identical assets or liabilities in active markets. Level 2 inputs are based value upon quoted prices for similar assets or liabilities in active markets or other market-based information, and Level 3 inputs are based on modeling. As of March 31, 2018, the Organization's long-term comingled investment pool consisted of 85.8% in Level 1, primarily mutual funds and 14.2% in Level 3, consisting of absolute return pool and private equity, resources and real estate.

Investments as of March 31, 2018 are as follows:

	Cost	Fair Value	Carrying Value
Net assets without donor restrictions	\$ -	\$ 6,559,583	\$ 6,559,583
Net assets with donor restrictions	-	<u>135,042</u>	<u>135,042</u>
East Tennessee Foundation Endowment	<u>\$ -</u>	<u>\$ 6,694,625</u>	<u>\$ 6,694,625</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

Investments as of March 31, 2017 are as follows:

	Cost	Fair Value	Carrying Value
Net assets without donor restrictions	\$ -	\$ 5,946,403	\$ 5,946,403
Net assets with donor restrictions	-	122,459	122,459
East Tennessee Foundation Endowment	<u>\$ -</u>	<u>\$ 6,068,862</u>	<u>\$ 6,068,862</u>

The following schedule summarizes the Endowment investment return and activities for the years ended March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at the beginning of the year	\$ 6,068,862	\$ 5,822,245
Dividends and contributions	220,938	45,951
Realized gain	412,744	204,010
Unrealized gain	10,726	249,770
Administrative fees	(18,645)	(17,592)
Grants	-	(235,522)
Balance at the end of the year	<u>\$ 6,694,625</u>	<u>\$ 6,068,862</u>

The following is the aggregate carrying amounts by major types as of March 31, 2018:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Multi asset mutual fund	\$ 3,963,218	\$ -	\$ 3,963,218
Equity mutual funds	1,124,697	-	1,124,697
Fixed income mutual funds	656,073	-	656,073
Absolute return pool	-	575,738	575,738
Private equity funds	-	274,480	274,480
Private real estate & natural resource funds	-	100,419	100,419
Total	<u>\$ 5,743,988</u>	<u>\$ 950,637</u>	<u>\$ 6,694,625</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements - (Continued)

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

The following is the aggregate carrying amounts by major types as of March 31, 2017:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Multi asset mutual fund	\$ 3,629,180	\$ -	\$ 3,629,180
Equity mutual funds	928,536	-	928,536
Fixed income mutual funds	534,060	-	534,060
Absolute return pool	-	600,817	600,817
Private equity funds	-	254,892	254,892
Private real estate & natural resource funds	-	121,377	121,377
Total	<u>\$ 5,091,776</u>	<u>\$ 977,086</u>	<u>\$ 6,068,862</u>

East Tennessee Foundation does not provide adequate information to separate the aggregate amounts that they report to the Organization for income, gains, expenses, and losses into amounts associated with Level 1 and Level 3. Consequently, the net change in Level 3 investments for the year is unable to be disclosed.

Endowment Agreement

The Organization entered into an agreement with the East Tennessee Foundation (the Foundation) to establish an endowment fund. The endowment fund is the property of the Foundation, and the Foundation has ultimate authority and control of all property of the fund, and the income derived thereof, for the charitable purposes of the Foundation. The net income, or an amount equal to the annual spending rate (a percentage of fair value), is to be distributed to the Organization each year. Upon 75% vote of approval of the Board of Directors of the Organization, and with the approval of the Foundation, which approval shall not be unreasonably withheld, the fund or some portion thereof may be distributed. The Board of Directors of the Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community served. At March 31, 2018 and 2017, respectively, \$6,559,583 and \$5,946,403 of contributions, accumulated earnings and unrealized gains of endowment fund assets were available to be spent. This amount is presented in unrestricted net assets. The amount of \$135,042 and \$122,459 at March 31, 2018 and 2017, respectively, of endowment fund assets represents donor contributions and is reported in net assets with restrictions based on the donors' restrictions on the amounts they contributed.

NOTE 12 - NET ASSETS AVAILABLE FOR USE

The following reflects the Organization's financial assets as of March 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

UNITED WAY OF GREATER KNOXVILLE, INC.
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Notes to Financial Statements - (Continued)

NOTE 12 - NET ASSETS AVAILABLE FOR USE - (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of March 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Financial assets per statement of financial position	\$ 34,230,631	\$ 32,621,371
Less those unavailable for general expenditures within one year, due to:		
Property and equipment, net	(2,565,219)	(2,632,865)
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(185,397)	(176,025)
Board designations:		
Quasi endowment	(6,694,625)	(6,068,862)
Amounts set aside for liquidity reserve	<u>(3,466,260)</u>	<u>(2,435,429)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 21,319,130</u>	<u>\$ 21,308,190</u>

