

UNITED WAY OF THE LOWCOUNTRY, INC.

BEAUFORT, SOUTH CAROLINA

**INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS**

MARCH 31, 2017 AND 2016

UNITED WAY OF THE LOWCOUNTRY, INC.

BEAUFORT, SOUTH CAROLINA

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AND
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Robinson Grant & Co., P.A.

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Independent Auditors' Report

October 25, 2017

Board of Directors
United Way of the Lowcountry, Inc.
Beaufort, SC

We have audited the accompanying financial statements of United Way of the Lowcountry, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2017, and the related statements of activities 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.

Auditor's 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 the Lowcountry, Inc. as of March 31, 2017, 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 United Way of the Lowcountry's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson Hunt & Co., P.A.

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2017 WITH COMPARATIVE TOTALS AS OF MARCH 31, 2016

ASSETS	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 2017	Total 2016
<u>Current Assets</u>					
Cash and cash equivalents	\$ 363,237	\$ 228,780	\$ -	\$ 592,017	\$ 1,085,115
Cash (designated for specific use)	181,413	-	-	181,413	286,698
Investments	606,198	32,624	264,370	903,192	902,005
Pledges receivable, net	588,931	-	-	588,931	847,342
Grants receivable	35,504	-	-	35,504	21,863
Receivables - other	17,263	-	-	17,263	-
Prepaid expenses	-	-	-	-	3,067
Total current assets	<u>1,792,546</u>	<u>261,404</u>	<u>264,370</u>	<u>2,318,320</u>	<u>3,146,090</u>
<u>Non-current Assets</u>					
Property and equipment, net	863,645	-	-	863,645	42,504
Cash surrender value - life insurance policy	<u>170,809</u>	<u>-</u>	<u>-</u>	<u>170,809</u>	<u>164,930</u>
Total non-current assets	<u>1,034,454</u>	<u>-</u>	<u>-</u>	<u>1,034,454</u>	<u>207,434</u>
Total Assets	<u><u>\$ 2,827,000</u></u>	<u><u>\$ 261,404</u></u>	<u><u>\$ 264,370</u></u>	<u><u>\$ 3,352,774</u></u>	<u><u>\$ 3,353,524</u></u>
 LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts payable and payroll tax liabilities	\$ 51,284	\$ -	\$ -	\$ 51,284	\$ 36,924
Deferred revenues	107,655	-	-	107,655	107,892
Agency allocations payable	983,655	-	-	983,655	1,269,612
Funds held for disposition	66,813	-	-	66,813	34,863
Due to designated agencies	<u>779</u>	<u>-</u>	<u>-</u>	<u>779</u>	<u>1,849</u>
Total current liabilities	1,210,186	-	-	1,210,186	1,451,140
<u>Net Assets</u>					
Unrestricted					
Investment - building and equipment	863,645	-	-	863,645	42,504
Endowment funds	606,198	-	-	606,198	649,136
Designated reserve funds	141,993	-	-	141,993	241,720
Current	4,978	-	-	4,978	612,061
Temporarily restricted	-	261,404	-	261,404	115,943
Permanently restricted	<u>-</u>	<u>-</u>	<u>264,370</u>	<u>264,370</u>	<u>241,020</u>
Total net assets	<u>1,616,814</u>	<u>261,404</u>	<u>264,370</u>	<u>2,142,588</u>	<u>1,902,384</u>
Total Liabilities and Net Assets	<u><u>\$ 2,827,000</u></u>	<u><u>\$ 261,404</u></u>	<u><u>\$ 264,370</u></u>	<u><u>\$ 3,352,774</u></u>	<u><u>\$ 3,353,524</u></u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2017 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2016

	<u>Unrestricted Operating Fund</u>	<u>Temporarily Restricted Fund</u>	<u>Permanently Restricted Fund</u>	<u>Total 2017</u>	<u>Total 2016</u>
<u>Support and Revenues</u>					
Campaign support	\$ 2,445,634	\$ -	\$ -	\$ 2,445,634	\$ 2,427,575
Less: allowance for uncollectible accounts	(177,355)	-	-	(177,355)	(157,000)
Net campaign support	2,268,279	-	-	2,268,279	2,270,575
Grants & contributions	354,497	164,293	-	518,790	350,391
Special events	53,276	-	-	53,276	64,533
Contributions to endowment fund	-	-	23,350	23,350	14,350
In-kind donations	123,180	-	-	123,180	87,824
Rental income	-	-	-	-	17,645
Investment income	23,422	10,396	-	33,818	42,144
Other income	19,984	-	-	19,984	24
Assets released from restrictions	44,600	(44,600)	-	-	-
Total support and revenues	2,887,238	130,089	23,350	3,040,677	2,847,486
<u>Functional expenses</u>					
Program services	2,499,432	-	-	2,499,432	2,422,299
Supporting services	359,528	-	-	359,528	372,774
Total functional expenses	2,858,960	-	-	2,858,960	2,795,073
Net increase in net assets before non-operating revenues and expenses	28,278	130,089	23,350	181,717	52,413
<u>Non-Operating Revenues (Expenses):</u>					
Gain on disposal of assets	-	-	-	-	437,810
Unrealized gain (loss) on investments	43,115	15,372	-	58,487	(69,994)
Total non-operating revenues	43,115	15,372	-	58,487	367,816
Increase in net assets	71,393	145,461	23,350	240,204	420,229
Net assets, beginning of year	1,545,421	115,943	241,020	1,902,384	1,482,155
Net assets, end of year	<u>\$ 1,616,814</u>	<u>\$ 261,404</u>	<u>\$ 264,370</u>	<u>\$ 2,142,588</u>	<u>\$ 1,902,384</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2016

	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 2017	Total 2016
Cash Flows from Operating Activities					
Increase (decrease) in net assets	\$ 71,393	\$ 145,461	\$ 23,350	\$ 240,204	\$ 420,229
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:					
Depreciation	31,777	-	-	31,777	22,393
Uncollectible pledges receivable	171,000	-	-	171,000	157,000
Unrealized gain (loss) on investments	(43,115)	(15,372)	(23,350)	(81,837)	69,994
Gain on disposal of assets	-	-	-	-	(437,810)
(Increase) decrease in:					
Pledges receivable	87,411	-	-	87,411	(294,072)
Prepaid expenses	3,066	-	-	3,066	(1,386)
Accounts receivable	(17,263)	-	-	(17,263)	-
Grants receivable	(13,641)	-	-	(13,641)	(21,863)
Investments	86,053	(5,403)	-	80,650	(8,784)
Cash surrender value - life insurance policy	(5,879)	-	-	(5,879)	(6,084)
Increase (decrease) in:					
Accounts payable	14,360	-	-	14,360	(19,465)
Rent deposits	-	-	-	-	(2,830)
Deferred revenues	(237)	-	-	(237)	(14,599)
Agency allocations payable	(285,957)	-	-	(285,957)	77,610
Funds held for disposition	31,950	-	-	31,950	(50,895)
Due to designated agencies	(1,070)	-	-	(1,070)	(3,582)
Net cash provided by (used in) operating activities	129,848	124,686	-	254,534	(114,144)
Cash Flows from Investing Activities					
Proceeds from sale of property and equipment	-	-	-	-	604,000
Purchase of property and equipment	(852,917)	-	-	(852,917)	(7,393)
Net cash provided by (used in) investing activities	(852,917)	-	-	(852,917)	596,607
Net increase (decrease) in cash and cash equivalents	(723,069)	124,686	-	(598,383)	482,463
Cash and cash equivalents, beginning of year	1,267,719	104,094	-	1,371,813	889,350
Cash and cash equivalents, end of year	<u>\$ 544,650</u>	<u>\$ 228,780</u>	<u>\$ -</u>	<u>\$ 773,430</u>	<u>\$ 1,371,813</u>
Supplemental Cash Flows Information					
Cash paid for interest expense	<u>\$ 4,944</u>				

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

Program Services										Supporting Services			
Agency Support and Awards	Helpline	Direct Services	Community Development	Early Grade Reading	VITA Grant	Americorps Grant	Community Investment	Total	Management and General	Fundraising	Total		
\$ -	\$ 66,748	\$ 50,308	\$ 79,373	\$135,664	\$ 10,310	\$ 122,522	\$ 83,584	\$ 548,509	\$ 64,801	\$ 156,973	\$ 221,774		
-	2,516	1,258	2,726	3,881	-	-	1,614	11,995	2,516	2,935	5,451		
-	Board retreat	-	-	-	-	-	-	-	704	704	1,408		
-	Building expenses	4,266	2,688	3,713	-	1,753	1,579	15,484	2,282	7,036	9,318		
-	Conference and training expense	242	126	948	-	4,560	314	6,316	503	503	1,006		
-	Directors fund & disaster and assistance	278	-	-	-	-	-	278	-	-	-		
-	Consultants and contract labor	-	-	-	-	-	6,417	6,417	-	-	-		
-	Computer software, database hosting	173	173	363	-	26	173	1,081	431	2,036	2,467		
-	Women's leadership council	-	-	831	-	-	-	831	225	-	225		
-	Dues and subscriptions	752	591	1,588	-	-	752	4,328	537	1,439	1,976		
-	Dues - United Way Worldwide and SC	5,242	4,921	6,045	-	-	5,338	28,393	1,757	5,112	6,869		
-	Golf and special event expenses	-	-	9,774	-	-	-	9,774	-	13,905	13,905		
-	Hiring expense	-	-	-	-	-	-	-	559	559	1,118		
-	Insurance expense	874	532	745	-	745	745	4,173	1,277	1,266	2,543		
-	Office equipment maintenance	2,249	2,142	2,752	-	-	2,142	11,427	2,249	2,356	4,605		
-	Office supplies and printing	1,643	1,232	4,107	-	66	1,766	10,046	821	4,107	4,928		
-	Meeting expense and awards	237	118	592	-	-	1,662	2,846	311	710	1,021		
-	Postage/copier/printing	1,813	1,813	3,263	-	212	2,369	11,447	803	3,956	4,759		
-	Professional fees - legal and audit	-	-	-	-	-	-	-	6,597	6,803	13,400		
-	Promotional supplies/marketing/corp. printing	8,040	4,643	3,737	12,837	-	6,630	35,887	-	24,838	24,838		
-	Rent expense	3,404	3,404	4,492	8,510	-	4,728	24,538	3,538	6,620	10,158		
-	Telephone expense	4,796	2,707	3,532	4,996	-	5,644	24,769	1,051	3,460	4,511		
-	Travel and automobile	1,081	1,544	2,317	3,807	-	3,076	17,785	439	3,243	3,682		
-	Annual meeting and volunteer awards	161	161	1,126	161	322	1,126	3,057	1,206	2,016	3,222		
-	Staff recognition	40	30	30	-	-	30	160	105	157	262		
-	Agency support	973,250	-	-	-	-	-	973,250	-	-	-		
-	Awards - designated	307,445	-	-	-	-	-	307,445	-	-	-		
-	In-kind donations	1,496	1,496	5,616	92,402	-	1,957	105,460	1,215	2,805	4,020		
-	Board-approved internal programs	-	-	18,387	-	8,041	-	26,428	-	-	-		
-	Administered grants	-	-	-	86,663	-	106,363	287,593	-	-	-		
-	Total before depreciation	1,280,695	82,873	212,471	218,807	189,375	149,851	235,459	93,927	253,539	347,466		
-	Depreciation	-	3,548	3,973	4,683	-	-	19,715	4,115	7,947	12,062		
-	Total	\$1,280,695	\$86,421	\$216,444	\$223,490	\$189,375	\$149,851	\$238,865	\$98,042	\$261,486	\$359,528		

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Program Services

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

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

United Way of the Lowcountry, Inc. (the Organization) is a not-for-profit organization incorporated in South Carolina. The Organization conducts an annual fundraising campaign to solicit contributions from individuals, businesses and employee groups located within Beaufort and Jasper counties. The Organization provides the following services:

Community Investment/Impact – investment of annual campaign funds to local 501(c)(3) not-for-profit organizations. Funds are granted to support programs within organizations based on assessment of the need by the local community for the services they provide, the organization's financial needs and the outcomes they report as measures of their impacts on the local community. All funds distributed to these organizations are approved by United Way's board of directors.

Helpline – primarily an information, referral and advocacy service linking individuals with emergent needs to appropriate health, human and advocacy services. In some cases, direct financial assistance is provided.

Direct Services – these services include casework, referrals, disaster assistance, basic emergency assistance, expenditures from the Cancer Fund, Director's Fund, Homeless Fund, Senior's Utility Fund, Barriers to Education, Operation Holiday Heroes and the Volunteer Center which is a county-wide volunteer resource development placement network.

Early Grade Reading Initiative – the Early Grade Initiative, Read Indeed, was developed to augment elementary education by recruiting, training and deploying volunteers to assist struggling students with reading comprehension within elementary schools throughout Beaufort and Jasper counties. Other programs that fall under the Early Grade Reading initiative include:

Play Partners: a Pre-K program that promotes the development of early learning skills by exposing children to books. The program offers ongoing literacy development experiences that are cognitively, emotionally and socially challenging and enjoyable.

Read to Me: a kindergarten program that is one-on-one interactive read aloud which addresses the lowest level readers. The program introduces children to the structure of texts, settings, characters, plots and sequential events.

AmeriCorps Grant – as a supplement to the Early Grade Reading programs, the organization provides tutoring services and resource support for students at elementary schools throughout Beaufort and Jasper counties. The individualized tutoring is on-site and focuses on the second quartile students. The goal of the program is to assist the school districts in assuring that 80% of students within the schools in the program will enter the fourth grade reading on a grade level based on the NWEA (Northwest Evaluation Association) and the PASS. This project will focus on the CNCS focus area of education.

Community Development – assesses needs and coordinates development and delivery of health and human services and agency assistance.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued):

Volunteer Income Tax Assistance (VITA) – program to provide complimentary tax preparation services for the under-served/low-income population within the local community and surrounding counties and to provide outreach in the area of claiming refundable tax credits to those who qualify.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liability is incurred.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: *unrestricted* net assets, which represents the expendable resources that are available for operations at management's discretion; *temporarily restricted* net assets, which represents resources restricted by donors as to purpose or by the passage of time; and *permanently restricted* net assets, which represent resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

Contributions

Contributions received are recorded as *unrestricted*, *temporarily restricted* or *permanently restricted* support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in *unrestricted* net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in *temporarily* or *permanently* restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

Donated services are recognized as contribution revenue if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. During the fiscal years ended March 31, 2017 and 2016, a total of \$109,480 and \$74,124, respectively, of professional services related to the Volunteer Income Tax Assistance (VITA) program were received by the Organization.

The Organization does receive a significant amount of donated services from unpaid volunteers who assist in fundraising, program activities and special events. No amounts have been accounted for in the financial statements for these types of donated services because they did not meet the criteria for recognition.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Contributions of securities are recorded at their fair market value at the date of donation. Investments in debt and equity securities are measured at fair market value in the statement of financial position. Debt and equity securities are maintained in pooled funds managed by the Coastal Community Foundation, Inc. and the Community Foundation of the Lowcountry, Inc. Unrealized gains and losses are recognized in the statement of activities.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000 and whose estimated useful lives exceed a one year period. Purchased property and equipment is capitalized at its original purchase cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. 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 contributions. If there are no donor stipulations regarding how long these 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 temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful lives as follows:

Software	3 years
Buildings and improvements	10 - 40 years
Property and equipment	5 years
Furniture and fixtures	7 years

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as *other than a private foundation*. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The tax returns of the Organization remain open for inspection by tax authorities for a period of three years subsequent to the filing of the returns.

Deferred Revenues

Deferred revenues refer to funds received by the Organization prior to its fiscal year-end for programs that do not begin until subsequent to the Organization's fiscal year end.

Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising costs for the years ended March 31, 2017 and 2016 were \$23,117 and \$15,586, respectively.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued):

Compensated Absences

Depending on job classification, length of service and other factors, employees of the Organization are entitled to paid time off. The policy does not allow for the accumulation or carryover of unused time to future periods nor do any of the benefits vest. The Organization's policy is to recognize the costs of these compensated absences when the amounts are actually paid to employees.

Cash Designated for Specific Use

Certain programs within the Organization have separate bank accounts and the corresponding funds are designated specifically to those activities including Helpline, VITA Grant and amounts reserved for extraordinary events such as natural disasters.

Pledges Receivable

Pledges receivable consists primarily of amounts related to the Organization's annual campaign. The Organization periodically evaluates balances in the various aging categories as well as the status of any significant past due accounts to determine a need for and the amount of an allowance. When management determines that a receivable is uncollectible, the balance is removed from accounts receivable and is charged against the allowance account. The balance in the allowance for doubtful accounts was \$171,000 and \$157,000 for the years ended March 31, 2017 and 2016, respectively.

Comparative Information

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. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2016 from which the summarized information was derived.

Date of Management's Review

Subsequent events have been evaluated through October 25, 2017 which is the date these financial statements were available to be issued.

Agency Allocations Payable

These amounts reported on the Statements of Financial Position represent fundings approved by the Organization's board and which will, during the subsequent fiscal year, be disbursed to other not-for-profit organizations in the local community as part of agency support programs the Organization provides.

Concentration of Credit Risk

The Organization maintains bank accounts at several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC). At various times during the fiscal year, the Organization's bank balances exceeded the federally insured limits. As of March 31, 2017, \$67,639 of the Organization's funds were uninsured. This risk is managed by maintaining all deposits in high quality and nationally recognized financial institutions.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017 AND 2016

Note 2. Employee Benefit Plan

The Organization offers staff a retirement plan pursuant to Section 401(k) of the Internal Revenue Code. The plan allows participants to contribute a percentage of their compensation and provides for a mandatory employer contribution of 3% of the wages of all eligible employees. Eligible employees include those who are at a minimum of 21 years of age and work at least 1,000 hours in a given year.

For the years ended March 31, 2017 and 2016, the Organization contributed \$25,049 and \$29,162, respectively, to the plan which includes additional employer discretionary funding decided upon by the Organization on an annual basis. Employees are fully vested at all times with their own contributions to the plan and contributions made by the Organization on behalf of its' employees vest at an annual rate of 20%. Employer matching contributions are fully vested after remaining in the account for five years.

Note 3. Property and Equipment

Property and equipment consisted of the following at March 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 142,000	\$ -
Buildings	664,115	-
Software	7,500	-
Equipment and office furniture	163,478	124,175
	977,093	124,175
Less accumulated depreciation	(113,448)	(81,671)
Property and equipment, net	<u>\$ 863,645</u>	<u>\$ 42,504</u>

For the years ended March 31, 2017 and 2016, the Organization reported \$31,777 and \$22,393 in depreciation expense, respectively.

Note 4. Commitments

The Organization rents office space in Bluffton and Ridgeland, South Carolina of which rental agreements call for a monthly rent expense of \$1,219 and \$100, respectively. In addition to the above-noted amounts, Organization management estimates that in-kind donations of rental space received during the fiscal years ended March 31, 2017 and 2016 totaled \$13,700 each year. Total rent expense, including in-kind donations, for the fiscal years ended March 31, 2017 and 2016 were \$34,697 and \$32,045, respectively. Future minimum lease payments are as follows:

<u>Years Ended March 31,</u>	
2018	\$ 16,260
2019	16,710
2020	5,190
2021	300
Total	<u>\$ 38,460</u>

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Note 5. Related-Party Transactions

The Organization is affiliated with fellow organizations United Way Worldwide and United Way of South Carolina. Annual dues paid to these groups totaled \$35,262 and \$32,960 for the fiscal years ended March 31, 2017 and 2016, respectively.

Note 6. Lines of Credit

During the fiscal years ended March 31, 2017 and 2016, the Organization had access to a line of credit with a maximum amount available of \$300,000. The terms of the line call for a variable interest rate equal to that of .25% above prime and will never exceed 4.75%. Interest expense for the years ending March 31, 2017 and 2016 was \$1,896 and \$0, respectively. As of March 31, 2017 and 2016, there were no outstanding amounts due under the line of credit.

During the fiscal years ended March 31, 2017 and 2016 the Organization also had access to funds through an additional line of credit with a maximum amount available of \$150,000. The line calls for a variable interest rate equal to that of the U.S. Prime rate and matures on June 22, 2020 at which point renewal negotiations may be considered. Total interest expense paid during the fiscal years ended March 31, 2017 and 2016 was \$3,030 and \$0, respectively. As of March 31, 2017 and 2016, the Organization had no outstanding amount due on the note.

Note 7. Endowment Investments

The Organization's endowment consists of funds established for a variety of purposes and includes both donor-restricted funds as well as funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization 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 the interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the 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 as 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic condition, (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, and (7) the Organization's investment policies.

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Note 7. Endowment Investments (continued):

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a rate of return including capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% to 5% while growing the funds. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policies – Endowment funds are invested with two organizations: Coastal Community Foundation of South Carolina and Community Foundation of the Lowcountry. Amounts invested with Coastal Community Foundation and available for appropriations by the Board of Directors total 4% of the fund's average balance for the most recent twenty quarters. Funds invested with Community Foundation of the Lowcountry and available for spending total 5% of the previous five year average daily balance of the fund's market value. In establishing these policies, the Organization considered its long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions and the possible effects of inflation.

Endowment net assets composition by type of fund as of March 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 606,198	\$ -	\$ -	\$ 606,198
Donor-designated endowment funds	-	32,624	264,370	296,994
Total funds	<u>\$ 606,198</u>	<u>\$ 32,624</u>	<u>\$ 264,370</u>	<u>\$ 903,192</u>

Endowment net assets composition by type of fund as of March 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 649,136	\$ -	\$ -	\$ 649,136
Donor-designated endowment funds	-	11,849	241,020	252,869
Total funds	<u>\$ 649,136</u>	<u>\$ 11,849</u>	<u>\$ 241,020</u>	<u>\$ 902,005</u>

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Note 7. Endowment Investments (continued):

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 649,136	\$ 11,849	\$ 241,020	\$ 902,005
Contributions	-	-	23,350	23,350
Investment income	23,422	10,396	-	33,818
Investment advisory/account fees	(9,475)	-	-	(9,475)
Net appreciation (depreciation) in value	43,115	15,372	-	58,487
Distributions, grants and transfers	(100,000)	(4,993)	-	(104,993)
Endowment net assets, end of year	<u>\$ 606,198</u>	<u>\$ 32,624</u>	<u>\$ 264,370</u>	<u>\$ 903,192</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 711,930	\$ 23,615	\$ 227,670	\$ 963,215
Contributions	1,000	-	13,350	14,350
Investment income	28,688	11,666	-	40,354
Investment advisory/account fees	(9,478)	-	-	(9,478)
Net appreciation/(depreciation) in value	(51,281)	(18,713)	-	(69,994)
Distributions, grants and transfers	(31,723)	(4,719)	-	(36,442)
Endowment net assets, end of year	<u>\$ 649,136</u>	<u>\$ 11,849</u>	<u>\$ 241,020</u>	<u>\$ 902,005</u>

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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Note 7. Endowment Investments (continued):

The following table presents assets that are measured at fair value on a recurring basis at March 31, 2017 and 2016:

	<u>Fair Value Measurements at Reporting Date Using:</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments as of March 31, 2017	\$ 903,192	\$ -	\$ -
Investments as of March 31, 2016	\$ 902,005	\$ -	\$ -

Note 8. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following two endowment funds whose assets are to be held indefinitely:

Clarece Walker Legacy Endowment Fund: This endowment fund was established by the United Way of the Lowcountry and in 2012 was renamed in honor of Clarece Walker, a former president of the Organization. The mission of the Clarece Walker Legacy Endowment Fund is to change the tide of family circumstances by funding inspiring, cutting edge and innovative education and other activities that assist children and adults in lifting themselves and their families out of poverty. The purpose of the Clarece Walker Legacy Endowment Fund is to provide grants in fulfillment of the mission of the fund. As of March 31, 2017 and 2016, the value of the fund was \$275,042 and \$228,748, respectively, and those amounts are included in the balances of the investment accounts presented on the Statements of Financial Position. The funds are invested with both the Coastal Community Foundation of South Carolina, Inc. and Community Foundation of the Lowcountry, Inc.

Camp St. Mary Childhood Education Fund: The primary purpose of this fund is to provide charitable resources in support of programs assisting mothers and their children in accordance with the United Way of the Lowcountry's mission. The value of the fund as of March 31, 2017 and 2016 was \$133,403 and \$126,671, respectively, and those amounts are included in the balances of the Investment accounts presented on the Statements of Financial Position. These funds are invested with the Coastal Community Foundation of South Carolina, Inc.

Note 9. Alexis deTocqueville Designations

Alexis de Tocqueville society contributors may establish personal giving funds. Standard operating procedure is to allocate the first \$5,000 (of the \$10,000 required minimum donation for program eligibility) immediately to the United Way general fund. If the donor so chooses, the remaining contribution can be designated to a pre-approved and qualified 501(c)(3) organization. The designations for Alexis deTocqueville society members were \$307,445 and \$326,451, respectively, for the fiscal years ended March 31, 2017 and 2016. These amounts are included in designated awards on the Statements of Functional Expenses.

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Note 10. Temporarily Restricted Net Assets

United Way receives contributions and raises funds which are restricted for specific purposes. As of March 31, 2017 and 2016, temporarily restricted cash was available for the following purposes:

	2017	2016
Cancer Fund	\$ 362	\$ 362
Emergency Assistance to Working Families	25,930	37,643
Operation Holiday Heroes Fund	8,143	10,943
EviCore Help Fund	8,449	6,056
Sheldon Community Project	3,539	4,039
Together for Beaufort Report	41,953	41,953
Donor - Designated Benevolence Fund	4,461	1,546
Donor - Designated Assistance Fund	1,096	1,552
Hurricane Relief - County Fund	39,345	-
Hurricane Relief - de Tocqueville	31,130	-
Beaufort - Jasper Water Sewer Fund	64,372	-
Total	<u>\$ 228,780</u>	<u>\$ 104,094</u>

Note 11. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates provided by management.

Note 12. Concentrations

The Organization is located in Beaufort and Jasper counties within the state of South Carolina and a significant amount of its donor base is involved in businesses related to the local real estate and tourism industries and/or the financial market. The Organization and its donors are sensitive to risks associated with conditions affecting the local economy in their geographic area.

Note 13. Subsequent Events

In August 2017, the Organization opened a line of credit which has a total amount available of \$500,000. Terms for the line of credit call for monthly interest-only payments at an interest rate of prime less .75%. The line of credit matures one year from the date of initiation at which point any outstanding balance is due to be paid in full. In addition, the line of credit mentioned in Note 6 with \$300,000 of available funds was closed by the Organization in August 2017.

In July 2017, the rental leases for the Bluffton and Jasper offices were renewed through June 2019 and June 2020, respectively.