

UNITED WAY OF THE LOWCOUNTRY, INC.

BEAUFORT, SOUTH CAROLINA

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

UNITED WAY OF THE LOWCOUNTRY, INC.

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Independent Auditors' Report

October 21, 2016

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robinson Grant & Co., P.A.

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2016 WITH COMPARATIVE TOTALS AS OF MARCH 31, 2015

ASSETS	Unrestricted Operating <u>Fund</u>	Temporarily Restricted <u>Fund</u>	Permanently Restricted <u>Fund</u>	Total <u>2016</u>	Total <u>2015</u>
<u>Current Assets</u>					
Cash and cash equivalents	\$ 981,021	\$ 104,094	\$ -	\$ 1,085,115	\$ 592,728
Cash (designated for specific use)	286,698	-	-	286,698	296,622
Investments	649,136	11,849	241,020	902,005	963,215
Pledges receivable, net	847,342	-	-	847,342	710,270
Grants receivable	21,863	-	-	21,863	-
Prepaid expenses	3,067	-	-	3,067	1,681
Total current assets	<u>2,789,127</u>	<u>115,943</u>	<u>241,020</u>	<u>3,146,090</u>	<u>2,564,516</u>
<u>Non-current Assets</u>					
Property and equipment, net	<u>42,504</u>	<u>-</u>	<u>-</u>	<u>42,504</u>	<u>223,694</u>
Total non-current assets	<u>42,504</u>	<u>-</u>	<u>-</u>	<u>42,504</u>	<u>223,694</u>
<u>Other Assets</u>					
Cash surrender value - life insurance policy	<u>164,930</u>	<u>-</u>	<u>-</u>	<u>164,930</u>	<u>158,846</u>
Total other assets	<u>164,930</u>	<u>-</u>	<u>-</u>	<u>164,930</u>	<u>158,846</u>
Total Assets	<u>\$ 2,996,561</u>	<u>\$ 115,943</u>	<u>\$ 241,020</u>	<u>\$ 3,353,524</u>	<u>\$ 2,947,056</u>
 LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts payable and payroll tax liabilities	\$ 36,924	\$ -	\$ -	\$ 36,924	\$ 56,389
Rent deposits	-	-	-	-	2,830
Deferred revenues	107,892	-	-	107,892	122,491
Agency allocations payable	1,269,612	-	-	1,269,612	1,192,002
Funds held for disposition	34,863	-	-	34,863	85,758
Due to designated agencies	<u>1,849</u>	<u>-</u>	<u>-</u>	<u>1,849</u>	<u>5,431</u>
Total current liabilities	<u>1,451,140</u>	<u>-</u>	<u>-</u>	<u>1,451,140</u>	<u>1,464,901</u>
<u>Net Assets</u>					
Unrestricted					
Investment - building and equipment	42,504	-	-	42,504	223,694
Endowment funds	649,136	-	-	649,136	711,930
Designated reserve funds	241,720	-	-	241,720	241,331
Current	612,061	-	-	612,061	(49,124)
Temporarily restricted	-	115,943	-	115,943	126,654
Permanently restricted	<u>-</u>	<u>-</u>	<u>241,020</u>	<u>241,020</u>	<u>227,670</u>
Total net assets	<u>1,545,421</u>	<u>115,943</u>	<u>241,020</u>	<u>1,902,384</u>	<u>1,482,155</u>
Total Liabilities and Net Assets	<u>\$ 2,996,561</u>	<u>\$ 115,943</u>	<u>\$ 241,020</u>	<u>\$ 3,353,524</u>	<u>\$ 2,947,056</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, 2016 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2015

	Unrestricted Operating <u>Fund</u>	Temporarily Restricted <u>Fund</u>	Permanently Restricted <u>Fund</u>	Total <u>2016</u>	Total <u>2015</u>
<u>Support and Revenues</u>					
Campaign support	\$ 2,427,575	\$ -	\$ -	\$ 2,427,575	\$ 2,359,773
Campaign support: prior year collections	-	-	-	-	38,071
Less: allowance for uncollectible accounts	<u>(157,000)</u>	-	-	<u>(157,000)</u>	<u>(166,500)</u>
Net campaign support	2,270,575	-	-	2,270,575	2,231,344
Grants & contributions	325,216	25,175	-	350,391	369,397
Special events	64,533	-	-	64,533	58,369
Contributions to endowment fund	1,000	-	13,350	14,350	19,750
In-kind donations	87,824	-	-	87,824	49,883
Rental income	17,645	-	-	17,645	22,320
Investment income	30,478	11,666	-	42,144	128,274
Other income	24	-	-	24	7,207
Assets released from restrictions	<u>28,839</u>	<u>(28,839)</u>	-	-	-
Total support and revenues	2,826,134	8,002	13,350	2,847,486	2,886,544
<u>Functional expenses</u>					
Program services	2,422,299	-	-	2,422,299	2,486,819
Supporting services	<u>372,774</u>	-	-	<u>372,774</u>	<u>394,648</u>
Total functional expenses	2,795,073	-	-	2,795,073	2,881,467
Net increase (decrease) in net assets before non-operating revenue and expenses	31,061	8,002	13,350	52,413	5,077
<u>Non-Operating Revenues (Expenses):</u>					
Gain on disposal of assets	437,810	-	-	437,810	-
Unrealized gain (loss) on investments	<u>(51,281)</u>	<u>(18,713)</u>	-	<u>(69,994)</u>	<u>(86,382)</u>
Total non-operating revenues (expenses)	386,529	(18,713)	-	367,816	(86,382)
Increase (decrease) in net assets	417,590	(10,711)	13,350	420,229	(81,305)
Net assets, beginning of year	<u>1,127,831</u>	<u>126,654</u>	<u>227,670</u>	<u>1,482,155</u>	<u>1,563,460</u>
Net assets, end of year	\$ <u>1,545,421</u>	\$ <u>115,943</u>	\$ <u>241,020</u>	\$ <u>1,902,384</u>	\$ <u>1,482,155</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, 2016 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2015

	Unrestricted Operating <u>Fund</u>	Temporarily Restricted <u>Fund</u>	Permanently Restricted <u>Fund</u>	Total <u>2016</u>	Total <u>2015</u>
Cash Flows from Operating Activities					
Increase (decrease) in net assets	\$ 417,590	\$ (10,711)	\$ 13,350	\$ 420,229	\$ (81,305)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:					
Depreciation	22,393	-	-	22,393	17,977
Uncollectible pledges receivable	157,000	-	-	157,000	166,500
Unrealized gain (loss) on investments	51,281	18,713	-	69,994	86,382
Gain on disposal of assets	(437,810)			(437,810)	-
(Increase) decrease in:					
Pledges receivable	(294,072)	-	-	(294,072)	(196,723)
Prepaid expenses	(1,386)	-	-	(1,386)	(1,081)
Grants receivable	(21,863)	-	-	(21,863)	-
Investments	11,513	(6,947)	(13,350)	(8,784)	(236,854)
Cash surrender value - life insurance policy	(6,084)	-	-	(6,084)	(6,005)
Increase (decrease) in:					
Accounts payable	(19,465)	-	-	(19,465)	(5,202)
Rent deposits	(2,830)	-	-	(2,830)	-
Deferred revenues	(14,599)	-	-	(14,599)	38,632
Agency allocations payable	77,610	-	-	77,610	182,302
Funds held for disposition	(50,895)	-	-	(50,895)	3,406
Due to designated agencies	(3,582)	-	-	(3,582)	(155,782)
Net cash provided by (used in) operating activities	(115,199)	1,055	-	(114,144)	(187,753)
Cash Flows from Investing Activities					
Proceeds from sale of property and equipment	604,000	-	-	604,000	(17,490)
Purchase of property and equipment	(7,393)	-	-	(7,393)	-
Net cash provided by (used in) investing activities	596,607	-	-	596,607	(17,490)
Net increase (decrease) in cash and cash equivalents	481,408	1,055	-	482,463	(205,243)
Cash and cash equivalents, beginning of year	786,311	103,039	-	889,350	1,094,593
Cash and cash equivalents, end of year	<u>\$ 1,267,719</u>	<u>\$ 104,094</u>	<u>\$ -</u>	<u>\$ 1,371,813</u>	<u>\$ 889,350</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016

	Program Services										Supporting Services			Total March 31, 2016
	Agency Support and Awards	Helpline	Direct Services	Community Development	Early Grade Reading	VITA Grant	Americorps Grant	Community Investment	Total	Management and General	Fundraising	Total		
Salaries and related expenses	\$ 77,320	\$ 54,762	\$ 84,422	\$ 151,041	\$ 10,086	\$ 105,230	\$ 93,991	\$ 576,852	\$ 70,506	\$ 169,999	\$ 240,505	\$ 817,357		
Bank and brokerage fees	1,200	600	1,300	1,851	-	-	770	5,721	1,200	1,400	2,600	8,321		
Board retreat	-	-	-	-	-	-	-	-	1,684	1,684	3,368	3,368		
Building expenses	4,600	1,600	2,900	4,000	-	1,888	1,700	16,688	2,460	7,590	10,050	26,738		
Conference and training expense	192	100	100	754	-	3,625	250	5,021	400	400	800	5,821		
Directors fund and disaster assistance	250	-	-	-	-	-	-	250	203	-	203	453		
Consultants and contract labor	-	-	-	-	-	-	600	600	-	-	-	600		
Computer software, database hosting	1,000	1,000	1,000	2,101	-	150	1,000	6,251	2,500	11,800	14,300	20,551		
Women's leadership council	-	-	1,224	-	-	-	-	1,224	-	-	-	1,224		
Dues and subscriptions	700	600	550	1,477	-	-	700	4,027	500	1,339	1,839	5,866		
Dues - United Way Worldwide and SC	4,900	4,600	5,650	6,400	-	-	4,990	26,540	1,642	4,778	6,420	32,960		
Golf event expense	-	-	9,900	-	-	-	-	9,900	-	14,084	14,084	23,984		
Hiring expense	-	-	-	-	-	-	-	-	493	492	985	985		
Insurance expense	821	500	500	700	-	700	700	3,921	1,200	1,189	2,389	6,310		
Office equipment maintenance	2,100	2,000	2,000	2,570	-	-	2,000	10,670	2,100	2,200	4,300	14,970		
Office supplies and printing	1,000	750	750	2,500	-	40	1,075	6,115	500	2,500	3,000	9,115		
Meeting expense and awards	200	100	200	500	-	-	1,404	2,404	263	600	863	3,267		
Postage/copier/printing	2,200	2,200	2,400	3,960	-	257	2,876	13,893	975	4,802	5,777	19,670		
Professional fees - legal and audit	-	-	-	-	-	-	-	-	6,400	6,600	13,000	13,000		
Promotional supplies	6,670	3,852	3,100	10,650	-	-	5,500	29,772	-	20,606	20,606	50,378		
Rent expense	1,800	1,800	2,375	4,500	-	-	2,500	12,975	1,871	3,500	5,371	18,346		
Telephone expense	3,600	2,032	2,651	3,750	-	4,236	2,322	18,591	789	2,597	3,386	21,977		
Travel and automobile	1,400	2,000	3,000	4,930	-	7,718	3,984	23,032	568	4,200	4,768	27,800		
Volunteer awards	100	100	700	100	-	200	700	1,900	750	1,254	2,004	3,904		
Staff recognition	66	50	50	50	-	-	50	266	173	258	431	697		
Agency support	1,006,900	-	-	-	-	-	-	1,006,900	-	-	-	1,006,900		
Awards - designated	336,451	-	-	-	-	-	-	336,451	-	-	-	336,451		
In-kind donations	-	1,200	2,000	4,505	74,124	-	1,570	84,599	975	2,250	3,225	87,824		
Board-approved internal programs	-	-	-	12,916	-	17,015	-	29,931	-	-	-	29,931		
Administered grants	-	2,500	52,689	-	51,918	-	64,305	173,912	-	-	-	173,912		
Total before depreciation	1,343,351	113,819	82,346	219,255	136,128	141,059	192,987	2,408,406	98,152	266,122	364,274	2,772,680		
Depreciation	-	2,893	2,500	3,300	-	-	2,400	13,893	2,900	5,600	8,500	22,393		
Total	\$ 1,343,351	\$ 116,712	\$ 84,846	\$ 222,555	\$ 136,128	\$ 141,059	\$ 195,387	\$ 2,422,299	\$ 101,052	\$ 271,722	\$ 372,774	\$ 2,795,073		

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

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015

	Program Services										Supporting Services			Total March 31, 2015
	Agency Support and Awards	Helpline	Direct Services	Community Development	Early Grade Reading	VITA Grant	Americorps Grant	Community Investment	Total	Management and General	Fundraising	Total		
Salaries and related expenses	\$ 79,382	\$ 56,499	\$ 85,363	\$ 150,963	\$ 10,086	\$ 138,473	\$ 67,788	\$ 588,554	\$ 80,384	\$ 177,938	\$ 258,322	\$ 846,876		
Bank and brokerage fees	1,200	700	1,400	2,200	-	-	1,000	6,500	5,267	5,800	11,067	17,567		
Board retreat	-	-	-	-	-	-	-	-	1,805	-	1,805	1,805		
Building expenses	2,300	1,400	3,300	4,200	-	-	1,700	12,900	1,846	6,590	8,436	21,336		
Conference and training expense	419	560	1,500	3,200	-	1,078	1,000	7,757	1,283	1,676	2,959	10,716		
Consultants and contract labor	536	536	536	536	-	-	536	2,680	2,350	2,352	4,702	7,382		
Computer software, database hosting	1,600	1,600	3,700	2,650	-	150	1,350	11,050	2,061	10,800	12,861	23,911		
Dues and subscriptions	750	700	900	1,400	-	-	900	4,650	500	1,339	1,839	6,489		
Dues - United Way Worldwide and SC	4,800	4,600	5,450	6,300	-	-	4,990	26,140	542	4,609	5,151	31,291		
Emerging Leaders	-	-	2,684	-	-	-	-	2,684	-	-	-	2,684		
Golf event expense	-	-	13,890	-	-	-	-	13,890	-	-	15,916	29,806		
Hiring expense	-	-	-	200	-	-	-	200	871	-	871	1,071		
Insurance expense	1,200	1,200	1,200	1,600	-	419	1,200	6,819	650	1,189	1,839	8,658		
Office equipment maintenance	2,200	2,200	2,200	2,593	-	-	2,250	11,443	2,300	2,400	4,700	16,143		
Office supplies and printing	1,300	1,300	2,200	3,760	-	1,349	1,585	11,494	400	2,874	3,274	14,768		
Meeting expense and awards	200	300	500	500	-	29	1,404	2,933	85	400	485	3,418		
Postage/copier/printing	2,200	2,200	2,400	3,960	-	190	2,950	13,900	975	4,847	5,822	19,722		
Professional fees - legal and audit	-	-	-	-	-	-	-	-	6,500	6,700	13,200	13,200		
Promotional supplies	6,670	3,852	3,496	9,650	-	-	5,600	29,268	-	19,802	19,802	49,070		
Rent expense	1,600	1,600	2,375	4,500	-	-	1,570	11,645	965	2,250	3,215	14,860		
Telephone expense	3,600	2,032	2,651	3,444	-	2,967	2,100	16,794	515	2,397	2,912	19,706		
Travel and automobile	1,500	2,200	3,300	4,930	-	8,988	3,984	24,902	560	4,200	4,760	29,662		
Volunteer awards	-	100	-	-	-	-	301	401	-	400	400	801		
Staff recognition	95	95	95	95	-	-	475	95	173	258	431	906		
Agency support	1,028,150	-	-	-	-	-	-	1,028,150	-	-	-	1,028,150		
Awards - designated	349,652	-	-	-	-	-	-	349,652	-	-	-	349,652		
Disaster and emergency assistance	-	-	-	-	-	-	-	20	-	-	-	20		
In-kind donations	1,200	1,200	2,000	4,505	36,183	-	1,570	46,658	975	2,250	3,225	49,883		
Board-approved internal programs	-	-	-	18,072	-	11,002	-	29,074	-	-	-	29,074		
Administered grants	2,500	2,500	77,518	11,211	61,233	-	59,901	214,863	-	-	-	214,863		
Total before depreciation	1,377,802	115,272	873,374	240,469	107,502	164,645	163,774	2,475,496	111,007	276,987	387,994	2,863,490		
Depreciation	-	2,500	1,300	3,000	-	-	1,923	11,323	2,654	4,000	6,654	17,977		
Total	\$ 1,377,802	\$ 117,772	\$ 88,674	\$ 221,258	\$ 243,469	\$ 107,502	\$ 165,697	\$ 2,486,819	\$ 113,661	\$ 280,987	\$ 394,648	\$ 2,881,467		

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

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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 and referral service linking individuals with emergent needs to appropriate health, human and advocacy services. In some cases, direct 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 – a program developed to help augment elementary education by recruiting, training and deploying volunteers to assist struggling students with reading comprehension within elementary schools throughout Beaufort and Jasper counties.

AmeriCorps Grant – as a supplement to the Early Grade Reading program, 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.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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

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 year ended March 31, 2016 and 2015 a total of \$74,124 and \$36,183, 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.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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

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:

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 classified by the Internal Revenue Service as other than a private foundation.

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.

Compensated Absences

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

Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising expense for the years ended March 31, 2016 and 2015 were \$50,378 and \$49,070, respectively.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

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

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 \$157,000 and \$166,500 for the years ended March 31, 2016 and 2015, 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, 2015 from which the summarized information was derived.

Date of Management's Review

Subsequent events have been evaluated through October 21, 2016 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 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, 2016, \$106,803 of the Organization's funds were uninsured. This risk is managed by maintaining all deposits in a high quality, nationally recognized financial institutions.

Note 2. Employee Benefit Plan

The Organization offers their staff a retirement savings plan pursuant to Section 401(k) of the Internal Revenue Code. The plan allows participants to contribute a percentage of their compensation and also 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, 2016 and 2015, the Organization contributed \$29,162 and \$28,846, respectively, to the plan. Employees are fully vested at all times with their own contributions to the plan and any employer contributions made by the Organization on behalf of its' employees vest at an annual rate of 20%. The employer's matching contributions are fully vested after remaining in the account for five years.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 3. Property and Equipment

Property and equipment consisted of the following at March 31, 2016 and 2015:

	2016	2015
Land	\$ -	\$ 78,558
Buildings	-	191,710
Equipment and office furniture	124,175	151,452
	124,175	421,720
Less accumulated depreciation	(81,671)	(198,026)
Property and equipment, net	\$ 42,504	\$ 223,694

For the years ended March 31, 2016 and 2015, the Organization reported \$22,393 and \$17,977 in depreciation expense, respectively.

Note 4. Commitments

The Organization subleases portions of its office space to other entities. Total rental revenues for the years ended March 31, 2016 and 2015 were \$17,645 and \$22,320, respectively.

The Organization rents office space in Bluffton and Ridgeland, South Carolina. Rental agreements call for a monthly rent expense of \$1,219 and \$100, respectively, for the Bluffton and Ridgeland offices. In addition to the above-noted amounts, management estimates that in-kind donations of rental space received during the fiscal years ended March 31, 2016 and 2015 totaled \$13,700 each year. Total rent expense, including in-kind donations, for the fiscal years ended March 31, 2016 and 2015 were \$32,045 and \$26,728, respectively. Future minimum lease payments are as follows:

<u>Year Ended March 31,</u>	
2017	\$ 15,828
2018	2,419
	18,247

Note 5. Notes Payable

The Organization has access to a notes payable which has a maximum amount available of \$150,000. The note calls for a variable interest rate equal to that of the U.S. Prime rate. The line matures on June 22, 2020 at which point renewal negotiations may be considered. As of March 31, 2016, the Organization had not accessed any amount available through the line.

Note 6. Line of Credit

The Organization has access to a line of credit which has 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%. The line matures in December 2016. As of March 31, 2016 the Organization had not accessed any amount available through the line.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 7. 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 \$32,960 and \$31,291 for the fiscal years ended March 31, 2016 and 2015, respectively.

Note 8. Endowment Investments

The Organization's endowment consists of funds established for a variety of purposes. Its endowment 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.

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 an after-cost total real rate of return including investment income as well as 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.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016 AND 2015

Note 8. Endowment Investments (continued)

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 total 4% of the fund’s average balance for the most recent twenty quarters and are available for appropriations by the Board of Directors. Funds invested with Community Foundation of the Lowcountry total 5% of the previous five year average daily balance of the fund’s market value and are available for spending. 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, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

Endowment net assets composition by type of fund as of March 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 711,930	\$ -	\$ -	\$ 711,930
Donor-designated endowment funds	-	23,615	227,670	251,285
Total funds	<u>\$ 711,930</u>	<u>\$ 23,615</u>	<u>\$ 227,670</u>	<u>\$ 963,215</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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>

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 8. Endowment Investments (continued)

Changes in endowment net assets as of March 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 535,245	\$ -	\$ 277,498	\$ 812,743
Contributions	1,000	-	18,750	19,750
Investment income	91,063	35,347	-	126,410
Investment advisory/account fees	(5,878)	(3,428)	-	(9,306)
Net appreciation/(depreciation) in value	(63,972)	(22,410)	-	(86,382)
Distributions, grants and transfers	154,472	14,106	(68,578)	100,000
Endowment net assets, end of year	<u>\$ 711,930</u>	<u>\$ 23,615</u>	<u>\$ 227,670</u>	<u>\$ 963,215</u>

The Organization applies 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.

The following table presents assets that are measured at fair value on a recurring basis at March 31, 2016 and 2015:

	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments as of March 31, 2016	\$ 902,005	\$ -	\$ -
Investments as of March 31, 2015	\$ 963,215	\$ -	\$ -

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 9. Temporarily Restricted Net Assets

United Way receives contributions and raises funds which are restricted for specific purposes. As of March 31, 2016 and 2015, temporarily restricted cash was available for the following purposes:

	2016	2015
Cancer Fund	362	362
Emergency Assistance to Working Families	37,643	32,529
Operation Holiday Heroes Fund	10,943	8,099
EviCore Help Fund	6,056	8,901
Sheldon Community Project	4,039	3,127
Together for Beaufort Report	41,953	40,703
Early Readiness Together for Beaufort	-	508
Donor-Designated Benevolence Fund	1,546	6,392
Donor-Designated Assistance Fund	1,552	2,418
Total	104,094	103,039

Note 10. 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. In 2012 the fund 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 shall be to provide grants in fulfillment of the mission of the fund. As of March 31, 2016 and 2015 the value of the fund was \$228,748 and \$224,801, 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 young mothers and their children in accordance with the United Way of the Lowcountry's mission. The value of the fund as of March 31, 2016 and 2015 was \$126,671 and \$136,576, 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 11. 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 donation for program eligibility) immediately to the United Way general fund. If the donor so chooses, the remaining contribution can

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

Note 11. Alexis deTocqueville Designations (continued)

be designated to a pre-approved and qualified 501(c)(3) organization. The designations for Alexis deTocqueville society members were \$326,451 and \$349,652, respectively, for the fiscal years ended March 31, 2016 and 2015. These amounts are included in designated awards on the Statements of Functional Expenses.

Note 12. 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 13. Subsequent Events

Subsequent to the close of the March 31, 2016 fiscal year, the Organization purchased a new administrative office building in replacement of the one sold in December 2015. The new building is located in Beaufort, South Carolina.

Note 14. 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 customers are sensitive to risks associated with conditions affecting the local economy in their geographic area.