

UNITED WAY OF THE LOWCOUNTRY, INC.

BEAUFORT, SOUTH CAROLINA

INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

UNITED WAY OF THE LOWCOUNTRY, INC.

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AND
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Independent Auditors' Report

August 4, 2018

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, 2018, 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.

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 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, 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 United Way of the Lowcountry's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 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.

Robinson Hunt & Co., P.A.

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2018 WITH COMPARATIVE TOTALS AS OF MARCH 31, 2017

ASSETS	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 2018	Total 2017
<u>Current Assets</u>					
Cash and cash equivalents	\$ 219,946	\$ 311,777	\$ -	\$ 531,723	\$ 592,017
Cash (designated for specific use)	181,737	-	-	181,737	181,413
Investments	662,817	61,239	276,455	1,000,511	903,192
Unconditional promises to give, net	663,859	40,000	-	703,859	588,931
Grants receivable	22,416	-	-	22,416	35,504
Receivables - other	167	-	-	167	17,263
Prepaid expenses	3,523	-	-	3,523	-
Total current assets	<u>1,754,465</u>	<u>413,016</u>	<u>276,455</u>	<u>2,443,936</u>	<u>2,318,320</u>
<u>Non-current Assets</u>					
Property and equipment, net	813,655	-	-	813,655	863,645
Cash surrender value - life insurance policy	<u>172,112</u>	-	-	<u>172,112</u>	<u>170,809</u>
Total non-current assets	<u>985,767</u>	<u>-</u>	<u>-</u>	<u>985,767</u>	<u>1,034,454</u>
Total Assets	<u>\$ 2,740,232</u>	<u>\$ 413,016</u>	<u>\$ 276,455</u>	<u>\$ 3,429,703</u>	<u>\$ 3,352,774</u>
 LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts payable and payroll tax liabilities	\$ 52,776	\$ -	\$ -	\$ 52,776	\$ 51,284
Deferred revenues	109,328	-	-	109,328	107,655
Line of credit payable	50,884	-	-	50,884	-
Agency allocations payable	779,802	-	-	779,802	983,655
Funds held for disposition	73,280	-	-	73,280	66,813
Due to designated agencies	-	-	-	-	779
Total current liabilities	<u>1,066,070</u>	<u>-</u>	<u>-</u>	<u>1,066,070</u>	<u>1,210,186</u>
<u>Net Assets</u>					
Unrestricted					
Investment - building and equipment	813,655	-	-	813,655	863,645
Endowment funds	662,817	-	-	662,817	606,198
Designated reserve funds	142,099	-	-	142,099	141,993
Current	55,591	-	-	55,591	4,978
Temporarily restricted	-	413,016	-	413,016	261,404
Permanently restricted	-	-	276,455	276,455	264,370
Total net assets	<u>1,674,162</u>	<u>413,016</u>	<u>276,455</u>	<u>2,363,633</u>	<u>2,142,588</u>
Total Liabilities and Net Assets	<u>\$ 2,740,232</u>	<u>\$ 413,016</u>	<u>\$ 276,455</u>	<u>\$ 3,429,703</u>	<u>\$ 3,352,774</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, 2018 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2017

	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 2018	Total 2017
<u>Support and Revenues</u>					
Campaign support	\$ 2,138,343	\$ -	\$ -	\$ 2,138,343	\$ 2,445,634
Less: allowance for uncollectible accounts	(175,000)	-	-	(175,000)	(177,355)
Less: donor designations	(203,669)	-	-	(203,669)	(307,445)
Net campaign support	1,759,674	-	-	1,759,674	1,960,834
Grants & contributions	289,408	223,580	-	512,988	518,790
Special events	88,437	-	-	88,437	53,276
Contributions to endowment fund	-	-	12,085	12,085	23,350
In-kind donations	107,522	-	-	107,522	123,180
Rental income	4,050	-	-	4,050	-
Investment income	38,979	19,439	-	58,418	33,818
Other income	9,579	-	-	9,579	19,984
Assets released from restrictions	100,583	(100,583)	-	-	-
Total support and revenues	2,398,232	142,436	12,085	2,552,753	2,733,232
<u>Functional expenses</u>					
Program services	1,954,984	-	-	1,954,984	2,191,987
Supporting services	413,659	-	-	413,659	359,528
Total functional expenses	2,368,643	-	-	2,368,643	2,551,515
Net increase in net assets before non-operating revenues and expenses	29,589	142,436	12,085	184,110	181,717
<u>Non-Operating Revenues (Expenses):</u>					
Unrealized gain (loss) on investments	27,759	9,176	-	36,935	58,487
Total non-operating revenues (expenses)	27,759	9,176	-	36,935	58,487
Increase in net assets	57,348	151,612	12,085	221,045	240,204
Net assets, beginning of year	1,616,814	261,404	264,370	2,142,588	1,902,384
Net assets, end of year	\$ 1,674,162	\$ 413,016	\$ 276,455	\$ 2,363,633	\$ 2,142,588

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, 2018 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2017

	Unrestricted Operating Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total 2018	Total 2017
Cash Flows from Operating Activities					
Increase (decrease) in net assets	\$ 57,348	\$ 151,612	\$ 12,085	\$ 221,045	\$ 240,204
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:					
Depreciation	36,315	-	-	36,315	31,777
Uncollectible pledges receivable	175,000	-	-	175,000	171,000
Unrealized (gain) loss on investments	(27,759)	(9,176)	-	(36,935)	(81,837)
(Increase) decrease in:					
Unconditional promises to give	(249,928)	(40,000)	-	(289,928)	87,411
Prepaid expenses	(3,523)	-	-	(3,523)	3,066
Accounts receivable - other	17,096	-	-	17,096	(17,263)
Grants receivable	13,088	-	-	13,088	(13,641)
Investments	(28,858)	(19,439)	(12,085)	(60,382)	80,650
Cash surrender value - life insurance policy	(1,303)	-	-	(1,303)	(5,879)
Increase (decrease) in:					
Accounts payable	1,491	-	-	1,491	14,360
Deferred revenues	1,672	-	-	1,672	(237)
Agency allocations payable	(203,853)	-	-	(203,853)	(285,957)
Funds held for disposition	6,467	-	-	6,467	31,950
Due to designated agencies	(779)	-	-	(779)	(1,070)
Net cash provided by (used in) operating activities	(207,526)	82,997	-	(124,529)	254,534
Cash Flows from Investing Activities					
Purchases of property and equipment	<u>13,675</u>	<u>-</u>	<u>-</u>	<u>13,675</u>	<u>(852,917)</u>
Net cash provided by (used in) investing activities	<u>13,675</u>	<u>-</u>	<u>-</u>	<u>13,675</u>	<u>(852,917)</u>
Cash Flows from Financing Activities					
Net proceeds from line of credit	<u>50,884</u>	<u>-</u>	<u>-</u>	<u>50,884</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>50,884</u>	<u>-</u>	<u>-</u>	<u>50,884</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(142,967)	82,997	-	(59,970)	(598,383)
Cash and cash equivalents, beginning of year	<u>544,650</u>	<u>228,780</u>	<u>-</u>	<u>773,430</u>	<u>1,371,813</u>
Cash and cash equivalents, end of year	<u>\$ 401,683</u>	<u>\$ 311,777</u>	<u>\$ -</u>	<u>\$ 713,460</u>	<u>\$ 773,430</u>
Supplemental Cash Flows Information					
Cash paid for interest expense				<u>\$ 4,840</u>	<u>\$ 4,944</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, 2018

	Program Services								Supporting Services			Total March 31, 2018	
	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	\$ -	\$ 63,793	\$ 55,819	\$ 119,612	\$ 95,690	\$ 7,974	\$ 127,567	\$ 79,741	\$ 550,196	\$ 63,793	\$ 183,424	\$247,217	\$ 797,413
Bank and brokerage fees	-	2,436	1,218	2,639	3,757	-	-	1,563	11,613	2,436	2,842	5,278	16,891
Board retreat	-	-	-	-	-	-	-	-	-	1,068	1,068	2,136	2,136
Building expenses	-	4,641	1,618	2,919	4,043	-	1,911	1,722	16,854	2,483	7,646	10,129	26,983
Conference and training expense	-	339	176	176	1,328	-	6,383	440	8,842	704	704	1,408	10,250
Directors fund and disaster assistance	-	-	-	-	-	-	-	-	-	-	-	-	-
Consultants and contract labor	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer software, database hosting	-	204	204	204	428	-	31	204	1,275	510	2,405	2,915	4,190
Women's leadership council	-	-	-	1,070	-	-	-	-	1,070	-	-	-	1,070
Dues and subscriptions	-	1,096	939	861	2,311	-	-	1,095	6,302	782	2,095	2,877	9,179
Dues - United Way Worldwide and SC	-	5,322	4,996	6,137	6,951	-	-	5,420	28,826	1,783	5,189	6,972	35,798
Golf & special events expense	-	-	-	8,265	-	-	-	-	8,265	-	24,590	24,590	32,855
Hiring expense	-	-	-	-	-	-	-	-	-	1,134	1,134	2,268	2,268
Insurance expense	-	2,249	1,370	1,370	1,917	-	1,917	1,917	10,740	3,287	3,257	6,544	17,284
Interest expense	-	-	-	-	-	-	-	-	-	4,840	-	4,840	4,840
Office equipment maintenance	-	2,418	2,303	2,303	2,960	-	-	2,303	12,287	2,418	2,533	4,951	17,238
Office supplies and printing	-	1,238	928	928	3,092	-	49	1,330	7,565	618	3,092	3,710	11,275
Meeting expense and awards	-	286	143	286	714	-	-	2,005	3,434	376	857	1,233	4,667
Postage/copier/printing	-	1,840	1,840	2,007	3,312	-	215	2,405	11,619	815	4,016	4,831	16,450
Professional fees - legal and audit	-	-	-	-	-	-	-	-	-	12,443	12,832	25,275	25,275
Promotional supplies/marketing/corp. printing	-	7,160	4,134	3,327	11,430	-	-	5,903	31,954	-	22,115	22,115	54,069
Rent expense	-	1,447	1,447	1,910	3,618	-	-	2,010	10,432	1,504	2,814	4,318	14,750
Special programs	-	-	-	9,020	-	-	-	-	9,020	-	-	-	9,020
Telephone expense	-	3,602	2,033	2,653	3,752	-	4,238	2,323	18,601	789	2,598	3,387	21,988
Travel and automobile	-	1,209	1,727	2,590	4,256	-	6,663	3,439	19,884	490	3,626	4,116	24,000
Annual meeting and volunteer awards	-	195	195	1,364	195	-	390	1,364	3,703	1,462	2,444	3,906	7,609
Staff recognition	-	139	105	106	105	-	-	105	560	365	544	909	1,469
Agency support	777,096	-	-	-	-	-	-	-	777,096	-	-	-	777,096
In-kind donations	-	1,469	1,469	2,449	5,515	90,749	-	1,922	103,573	1,194	2,755	3,949	107,522
Board-approved internal programs	-	-	-	-	10,924	-	14,390	-	25,314	-	-	-	25,314
Administered grants	-	3,643	3,643	76,062	-	76,351	-	93,730	253,429	-	-	-	253,429
Total before depreciation	777,096	104,726	86,307	248,258	166,298	175,074	163,754	210,941	1,932,454	105,294	294,580	399,874	2,332,328
Depreciation	-	4,692	4,054	4,540	5,352	-	-	3,892	22,530	4,703	9,082	13,785	36,315
Total	<u>\$ 777,096</u>	<u>\$ 109,418</u>	<u>\$ 90,361</u>	<u>\$ 252,798</u>	<u>\$ 171,650</u>	<u>\$ 175,074</u>	<u>\$ 163,754</u>	<u>\$ 214,833</u>	<u>\$ 1,954,984</u>	<u>\$ 109,997</u>	<u>\$ 303,662</u>	<u>\$413,659</u>	<u>\$ 2,368,643</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, 2017

	Program Services								Supporting Services			Total March 31, 2017	
	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	\$ -	\$ 66,748	\$ 50,308	\$ 79,373	\$ 135,664	\$ 10,310	\$ 122,522	\$ 83,584	\$ 548,509	\$ 64,801	\$ 156,973	\$ 221,774	\$ 770,283
Bank and brokerage fees	-	2,516	1,258	2,726	3,881	-	-	1,614	11,995	2,516	2,935	5,451	17,446
Board retreat	-	-	-	-	-	-	-	-	-	704	704	1,408	1,408
Building expenses	-	3,416	1,188	2,154	2,971	-	1,402	1,263	12,394	1,827	5,637	7,464	19,858
Conference and training expense	-	242	126	126	948	-	4,560	314	6,316	503	503	1,006	7,322
Directors fund & disaster and assistance	-	278	-	-	-	-	-	-	278	-	-	-	278
Consultants and contract labor	-	-	-	-	-	-	-	6,417	6,417	-	-	-	6,417
Computer software, database hosting	-	173	173	173	363	-	26	173	1,081	431	2,036	2,467	3,548
Women's leadership council	-	-	-	831	-	-	-	-	831	225	-	225	1,056
Dues and subscriptions	-	752	645	591	1,588	-	-	752	4,328	537	1,439	1,976	6,304
Dues - United Way Worldwide and SC	-	5,242	4,921	6,045	6,847	-	-	5,338	28,393	1,757	5,112	6,869	35,262
Golf and special event expenses	-	-	-	9,774	-	-	-	-	9,774	-	13,905	13,905	23,679
Hiring expense	-	-	-	-	-	-	-	-	-	559	559	1,118	1,118
Insurance expense	-	874	532	532	745	-	745	745	4,173	1,277	1,266	2,543	6,716
Interest expense	-	850	297	534	742	-	351	316	3,090	455	1,399	1,854	4,944
Office equipment maintenance	-	2,249	2,142	2,142	2,752	-	-	2,142	11,427	2,249	2,356	4,605	16,032
Office supplies and printing	-	1,643	1,232	1,232	4,107	-	66	1,766	10,046	821	4,107	4,928	14,974
Meeting expense and awards	-	237	118	237	592	-	-	1,662	2,846	311	710	1,021	3,867
Postage/copier/printing	-	1,813	1,813	1,977	3,263	-	212	2,369	11,447	803	3,956	4,759	16,206
Professional fees - legal and audit	-	-	-	-	-	-	-	-	-	6,597	6,803	13,400	13,400
Promotional supplies/marketing/corp. printing	-	8,040	4,643	3,737	12,837	-	-	6,630	35,887	-	24,838	24,838	60,725
Rent expense	-	3,404	3,404	4,492	8,510	-	-	4,728	24,538	3,538	6,620	10,158	34,696
Special programs	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone expense	-	4,796	2,707	3,532	4,996	-	5,644	3,094	24,769	1,051	3,460	4,511	29,280
Travel and automobile	-	1,081	1,544	2,317	3,807	-	5,960	3,076	17,785	439	3,243	3,682	21,467
Annual meeting and volunteer awards	-	161	161	1,126	161	-	322	1,126	3,057	1,206	2,016	3,222	6,279
Staff recognition	-	40	30	30	30	-	-	30	160	105	157	262	422
Agency support	973,250	-	-	-	-	-	-	-	973,250	-	-	-	973,250
In-kind donations	-	1,496	1,496	2,493	5,616	92,402	-	1,957	105,460	1,215	2,805	4,020	109,480
Board-approved internal programs	-	-	-	-	18,387	-	8,041	-	26,428	-	-	-	26,428
Administered grants	-	4,135	4,135	86,297	-	86,663	-	106,363	287,593	-	-	-	287,593
Total before depreciation	973,250	110,186	82,873	212,471	218,807	189,375	149,851	235,459	2,172,272	93,927	253,539	347,466	2,519,738
Depreciation	-	4,105	3,548	3,973	4,683	-	-	3,406	19,715	4,115	7,947	12,062	31,777
Total	<u>\$ 973,250</u>	<u>\$ 114,291</u>	<u>\$ 86,421</u>	<u>\$ 216,444</u>	<u>\$ 223,490</u>	<u>\$ 189,375</u>	<u>\$ 149,851</u>	<u>\$ 238,865</u>	<u>\$ 2,191,987</u>	<u>\$ 98,042</u>	<u>\$ 261,486</u>	<u>\$ 359,528</u>	<u>\$ 2,551,515</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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 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, 2018 AND 2017

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

These financial statements 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

Services donated to the organization are recognized as contribution revenue if the services either (a) create or enhance nonfinancial assets *or* (b) require specialized skills that are performed by people with those skills and would otherwise need to be purchased by the Organization if not provided by donation. During the fiscal years ended March 31, 2018 and 2017, a total of \$93,822 and \$109,480, respectively, of professional services related to the Volunteer Income Tax Assistance (VITA) program were received by the Organization.

The Organization receives 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, 2018 AND 2017

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 as of 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 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. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by taxing authorities and that the Organization will not be subject to tax, penalties and interest as a result of such challenge. The Organization's tax returns remain open for three years subsequent to their filing for examination by government authorities.

Deferred Revenues

Deferred revenues refer to funds received by the Organization prior to its fiscal year-end for programs that are applicable to subsequent years.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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

Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising costs for the years ended March 31, 2018 and 2017 were \$26,696 and \$23,117, respectively.

Compensated Absences

Depending on job classification and length of service, 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. The Organization's policy is to recognize the costs of these compensated absences at the time 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 program and amounts reserved for extraordinary events such as natural disasters.

Unconditional Promises To Give

Unconditional promises to give consist primarily of amounts related to the Organization's annual campaign. In order to determine amounts estimated to be uncollectible, the Organization periodically evaluates balances in the various aging categories. 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 account was \$129,000 and \$171,000, respectively, for the years ended March 31, 2018 and 2017, 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, 2017 from which the summarized information was derived.

Date of Management's Review

Subsequent events have been evaluated through Aug. 4, 2018 which is the date these financial statements were available to be issued.

Agency Allocations Payable

Agency allocations payable represent fundings approved by the Organization's board of directors. The funds will be disbursed to other not-for-profit organizations within the local community as part of the Organization's agency support program provided during the subsequent fiscal year.

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 may have exceeded the federally insured limits. This risk is managed by maintaining all deposits within high quality and nationally recognized financial institutions. As of March 31, 2018, none of the Organization's funds were uninsured.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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

Reclassification

Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on net assets or changes in net assets.

Note 2. Employee Benefit Plan

The Organization offers its staff a retirement package pursuant to Section 401(k) of the Internal Revenue Code. The plan allows participants to defer a percentage of their compensation and also provides for a mandatory employer contribution of 3% of each employee's gross wages.

For the years ended March 31, 2018 and 2017, the Organization contributed \$33,308 and \$25,049, respectively, to the plan. These amounts include additional discretionary funding approved by the Organization's board of directors. 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. Contributions made to the plan by the employees themselves are fully vested at all times and matching contributions made by the Organization vest at a rate of 20% per year.

Note 3. Property and Equipment

Property and equipment consisted of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 142,000	\$ 142,000
Buildings	645,440	664,115
Software	12,500	7,500
Equipment and office furniture	<u>163,478</u>	<u>163,478</u>
	963,418	977,093
Less accumulated depreciation	<u>(149,763)</u>	<u>(113,448)</u>
Property and equipment, net	<u>\$ 813,655</u>	<u>\$ 863,645</u>

For the years ended March 31, 2018 and 2017, the Organization reported \$36,315 and \$31,777 in depreciation expense, respectively

Note 4. Commitments

The Organization rents office space in Bluffton and Ridgeland, South Carolina. The rental agreements for these two locations call for a monthly rent expense of \$1,255 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, 2018 and 2017 totaled \$13,700 each year. Total rent expense, including in-kind donations, for the fiscal years ended March 31, 2018 and 2017 were \$28,450 and \$34,697, respectively. Future minimum lease payments are as follows:

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Note 4. Commitments (continued):

<u>Years Ended March 31,</u>	
2019	16,710
2020	5,190
2021	300
Total	<u>\$ 22,200</u>

Note 5. Related-Party Transactions

The Organization is affiliated with United Way Worldwide and United Way of South Carolina. Each have missions comparable to that of the Organization. Annual dues paid to these groups totaled \$35,798 and \$35,262 for the fiscal years ended March 31, 2018 and 2017, respectively.

Note 6. Lines of Credit

During each of the fiscal years ending March 31, 2018 and 2017, the Organization had access to two lines of credit.

In 2018, the first line of credit has a maximum amount available of \$500,000 and is secured by the Organization's administrative building. The terms for this line of credit call for interest-only payments until the line's maturity date of August 23, 2020, at which point any outstanding principal and interest amounts are due. The interest rate is equal to that of .75% below Prime and will never be lower than 3.25% nor exceed 4.5%. The interest rate was 4% on March 31, 2018. The second line of credit has a maximum amount available of \$150,000. The terms for this second line of credit calls for interest-only payments until the line's maturity date of June 22, 2020, at which point any outstanding principal and interest amounts are due. The interest rate is equal to that of the U.S. Prime rate and was 4.75% on March 31, 2018. Interest expense in 2018 for both lines of credit totaled \$3,905 with outstanding balances of \$50,884 on March 31, 2018.

In 2017, the first line of credit has a maximum amount available of \$300,000 and is secured by the organization's administrative building. The terms for this line of credit call for a variable interest rate equal to .25% above Prime and will never exceed 4.75%. The second line of credit has a maximum amount available of \$150,000. The terms for this second line of credit calls for interest-only payments until the line's maturity date of June 22, 2020, at which point any outstanding principal and interest amounts are due. The interest rate is equal to that of the U.S. Prime rate and was 4% on March 31, 2017. Interest expense in 2017 for both lines of credit totaled \$4,926 with no outstanding balances as of March 31, 2017.

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. 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.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Note 7. Endowment Investments (continued):

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 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.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Note 7. Endowment Investments (continued):

Endowment net assets composition by type of fund as of March 31, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment funds	\$ 662,817	\$ -	\$ -	\$ 662,817
Donor-designated endowment funds	-	61,239	276,455	337,694
Total funds	<u>\$ 662,817</u>	<u>\$ 61,239</u>	<u>\$ 276,455</u>	<u>\$ 1,000,511</u>

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

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

Changes in endowment net assets as of March 31, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 606,198	\$ 32,624	\$ 264,370	\$ 903,192
Contributions	-	-	12,085	12,085
Investment income	38,979	19,439	-	58,418
Investment advisory/account fees	(10,119)	-	-	(10,119)
Net appreciation (depreciation) in value	27,759	9,176	-	36,935
Endowment net assets, end of year	<u>\$ 662,817</u>	<u>\$ 61,239</u>	<u>\$ 276,455</u>	<u>\$ 1,000,511</u>

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

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

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Note 7. Endowment Investments (continued):

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.

The following table presents assets that are measured at fair value on a recurring basis at March 31, 2018 and 2017:

	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Quoted Prices in</u>	<u>Significant</u>	
	<u>Active Markets</u>	<u>Other</u>	<u>Significant</u>
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments as of March 31, 2018	\$ 1,000,511	\$ -	\$ -
Investments as of March 31, 2017	\$ 903,192	\$ -	\$ -

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, 2018 and 2017, the value of the fund was \$313,264 and \$275,042, respectively, and those amounts are included in the balances of the *Investments* 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.

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

Note 8. Permanently Restricted Net Assets (continued):

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, 2018 and 2017 was \$145,970 and \$133,403, respectively, and those amounts are included in the balances of the *Investments* accounts presented on the Statements of Financial Position. These funds are invested with the Coastal Community Foundation of South Carolina, Inc.

Note 9. Alexis de Tocqueville 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 de Tocqueville society members were \$203,669 and \$307,445, respectively, for the fiscal years ended March 31, 2018 and 2017. During the March 31, 2018 and 2017 fiscal year-ends these amounts are netted against campaign revenues on the *Statement of Activities* which is a reclassification from prior years' presentations.

Note 10. Temporarily Restricted Net Assets

United Way receives contributions and raises funds which are restricted for specific purposes. As of March 31, 2018 and 2017, temporarily restricted assets were available for the following purposes:

	2018	2017
Cancer Fund	\$ 375	\$ 362
Emergency Assistance to Working Families	29,065	25,930
Operation Holiday Heroes Fund	5,637	8,143
EviCore Help Fund	6,279	8,449
Sheldon Community Project	3,039	3,539
Together for Beaufort Report	112,702	41,953
Donor - Designated Benevolence Fund	1,697	4,461
Donor - Designated Assistance Fund	291	1,096
Hurricane Relief - County Fund	33,276	39,345
Hurricane Relief - de Tocqueville	30,846	31,130
Beaufort - Jasper Water Sewer Fund	80,992	64,372
Hurricane Irma Relief	372	-
Hurricane Harvey Relief	280	-
Hurricane Matthew Relief	40,000	-
Publix Day of Caring	6,926	-
Total	<u>\$ 351,777</u>	<u>\$ 228,780</u>

UNITED WAY OF THE LOWCOUNTRY, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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 markets. The Organization and its donors are sensitive to risks associated with conditions affecting the local economy in this geographic area.

Note 13. Subsequent Events

Subsequent to the March 31, 2018 fiscal year-end, the line of credit owed to Palmetto State Bank in the amount of \$49,968 was paid in full.