

UNITED WAY OF THE LOWCOUNTRY, INC.

***AUDIT OF
FINANCIAL STATEMENTS***

MARCH 31, 2020

UNITED WAY OF THE LOW COUNTRY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of the Lowcountry, Inc.
Savannah, Georgia

We have audited the financial statements of United Way of the Lowcountry, Inc. (a non-profit organization) which comprise the statement of position as of March 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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.

To the Board of Directors
United Way of the Lowcountry, Inc.
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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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Caines, Hodges & Company, P.C.

February 24, 2021

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 2020

	<u>Assets</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current assets:			
Cash			
Unrestricted	\$ 174,955	\$ 533,594	\$ 708,549
Restricted for specific operating expenses	65,954		65,954
Receivables			
Grants	52,889	36,478	89,367
Promises to give, net of allowance for doubtful accounts of \$99,000	391,923		391,923
Pass-through organizations	26,301		26,301
Prepaid expenses	10,594		10,594
Total current assets	<u>722,616</u>	<u>570,072</u>	<u>1,292,688</u>
Property and equipment, net of depreciation	<u>747,252</u>		<u>747,252</u>
Other assets			
Investments (Note 3)	597,691	321,564	919,255
Cash surrender value of life insurance (Note 4)	182,288		182,288
	<u>779,979</u>	<u>321,564</u>	<u>1,101,543</u>
	<u>\$ 2,249,847</u>	<u>\$ 891,636</u>	<u>\$ 3,141,483</u>
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Line of credit (Note 5)	\$ 100,000		\$ 100,000
Accounts payable - trade	78,824		78,824
Accounts payable - agencies	647,899		647,899
Deferred revenue	14,972		14,972
Total current liabilities	<u>841,695</u>	<u>\$ 0</u>	<u>841,695</u>
Net assets:			
Without donor restrictions	1,408,152		1,408,152
With donor restrictions		891,636	891,636
Total net assets	<u>1,408,152</u>	<u>891,636</u>	<u>2,299,788</u>
	<u>\$ 2,249,847</u>	<u>\$ 891,636</u>	<u>\$ 3,141,483</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Campaign support	\$ 1,698,310		\$ 1,698,310
Less allowance for uncollectible accounts	(99,000)		(99,000)
Less donor designations	(107,000)		(107,000)
Net campaign support	1,492,310	\$ 0	1,492,310
Grants & contributions	350,700	105,083	455,783
Special events	37,110		37,110
Contributions to endowment fund	125	15,500	15,625
In-kind donations	86,462		86,462
Rental income	5,400		5,400
Investment income	16,470	10,585	27,055
Other revenues	20,877		20,877
Assets released from restrictions	(72,940)	72,940	0
	<u>1,936,514</u>	<u>204,108</u>	<u>2,140,622</u>
Functional Expenses			
Program services	1,681,068	10,530	1,691,598
Supporting services	656,790		656,790
Total functional expenses	<u>2,337,858</u>	<u>10,530</u>	<u>2,348,388</u>
Increase (decrease) in net assets before non-operating revenues and expenses	<u>(401,344)</u>	<u>193,578</u>	<u>(207,766)</u>
Non-operating expenses:			
Unrealized loss on investments	<u>(50,345)</u>	<u>(25,940)</u>	<u>(76,285)</u>
Increase (decrease) in net assets	(451,689)	167,638	(284,051)
Net assets - beginning of year	<u>1,859,841</u>	<u>723,998</u>	<u>2,583,839</u>
Net assets - end of year	<u>\$ 1,408,152</u>	<u>\$ 891,636</u>	<u>\$ 2,299,788</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, 2020

	Program Services				Supporting Services			Total All Expenses	
	Community Impact	Education	VITA Grant	AmeriCorps Grant	Total	Management and General	Fundraising		Total
Salaries and related expenses	\$ 191,273	\$ 154,803		\$ 146,323	\$ 492,399	\$ 95,054	\$ 198,256	\$ 293,310	\$ 785,709
Bank and brokerage fees	10,309				10,309	7,619		7,619	17,928
Meeting expense	2,258	1,668		333	4,259	2,279	2,146	4,425	8,684
Occupancy	5,704	4,853			10,557	2,980	6,215	9,195	19,752
Conference and training expense	30	181		5,183	5,394	3,534	1,111	4,645	10,039
Contract labor					0	95		95	95
Community engagement	750				750	860		860	1,610
Computer and software fees	4,099	3,487			7,586	2,141	4,466	6,607	14,193
Dues and subscriptions	180	423			603	5,171	11	5,182	5,785
United Way dues	12,010	10,217			22,227	6,273	13,085	19,358	41,585
Special events	73				73		16,443	16,443	16,516
Hiring expense				206	206	8,711	0	8,711	8,917
Insurance expense	4,384	3,730			8,114	2,291	4,776	7,067	15,181
Interest expense	580	493			1,073	303	632	935	2,008
Staff recognition	0	0			0	386	0	386	386
Office equipment	6,828	5,810			12,638	3,568	7,440	11,008	23,646
Office supplies	2,411	2,475		145	5,031	1,259	2,627	3,886	8,917
Postage & printing	3,263	2,777			6,040	1,705	21,479	23,184	29,224
Professional fees	21,000				21,000	9,953	0	9,953	30,953
Marketing & promotional	230				230	4,458	11,468	15,926	16,156
Rent expense	4,645	3,952			8,597	2,427	5,061	7,488	16,085
Telephone expense	5,696	4,691		480	10,867	7,176	6,425	13,601	24,468
Travel and mileage	4,423	3,658		4,122	12,203	4,284	6,459	10,743	22,946
Volunteer expenses	923	1,083		3,539	5,545	355		355	5,900
Bad debts					0	141,960		141,960	141,960
Miscellaneous					0	19,825		19,825	19,825
Program grants and contracted agencies	826,667	52,116	\$ 151,016		1,029,799			-	1,029,799
Total before depreciation	1,107,736	256,417	151,016	160,331	1,675,500	334,667	308,100	642,767	2,318,267
Depreciation	8,698	7,400			16,098	4,544	9,477	14,021	30,119
Total	\$ 1,116,434	\$ 263,817	\$ 151,016	\$ 160,331	\$ 1,691,598	\$ 339,211	\$ 317,577	\$ 656,790	\$ 2,348,388

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

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities:			
Increase (decrease) in net assets	\$ (451,689)	\$ 167,638	\$ (284,051)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	30,119		30,119
Unrealized loss on investments	50,345	25,940	76,285
(Increase) decrease in:			
Grants receivable	(27,899)	55,477	27,578
Promises to give	334,657		334,657
Pass-through organizations	(26,301)		(26,301)
Prepaid expense	(1,659)		(1,659)
Cash surrender value of insurance	(5,266)		(5,266)
Increase (decrease) in:			
Accounts payable	15,589		15,589
Accounts payable - agencies	(36,349)		(36,349)
Deferred revenue	(67,922)		(67,922)
Net cash provided by (used for) operating activities	<u>(186,375)</u>	<u>249,055</u>	<u>62,680</u>
Cash flows from investing activities:			
Purchases of investments	<u>(6,285)</u>	<u>(15,555)</u>	<u>(21,840)</u>
Cash flows from financing activities:			
Proceeds from notes payable - line of credit	<u>100,000</u>		<u>100,000</u>
Net increase (decrease) in cash	(92,660)	233,500	140,840
Cash and cash equivalents - beginning of year	<u>333,569</u>	<u>300,094</u>	<u>633,663</u>
Cash and cash equivalents - end of year	<u>\$ 240,909</u>	<u>\$ 533,594</u>	<u>\$ 774,503</u>

Included in accompanying statement of position as follows.

Cash-Unrestricted	\$ 174,955	\$ 533,594	\$ 708,549
Cash-Restricted for specific operations	65,954		65,954
	<u>\$ 240,909</u>	<u>\$ 533,594</u>	<u>\$ 774,503</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Nature of operations

United Way of the Lowcountry, Inc. (the Organization) is a not-for-profit organization incorporated in South Carolina whose primary revenue source is derived from an annual fundraising campaign to solicit contributions from individuals and businesses located within Beaufort and Jasper counties. Following is a summary of some of the services the Organization provides to the local community:

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 granted to these support programs are approved by the Organization's board of directors.

Helpline - 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: 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: 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 - Tutoring services and resource support for elementary school students throughout Beaufort and Jasper counties. 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 (Phonological Awareness Skills Screener). This project will focus on the CNCS (Corporation for National and Community Service) focus area of education.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Nature of operations (continued)

Community Development - Assesses needs and coordinates development and delivery of health and human services and agency assistance.

Volunteer Income Tax Assistance (VITA) - Provides complimentary tax preparation services for the under-served/low-income population within the local communities including outreach in the area of claiming refundable tax credits to those who qualify.

Note 1 - Summary of Significant Accounting Policies

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 reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: (1) net assets without donor restrictions and (2) net assets with donor restrictions.

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations and whose only limitations are the broad ones resulting from the nature of the Organization and the environment in which it operates, the purposes specified in its governing documents and tax-exempt status and any limits resulting from contractual agreements.

Net assets with donor restrictions - Net assets with donor restrictions are resources subject to donor-imposed restrictions some of which are temporary in nature, such as those restricted by a donor for a particular purpose or use in a specific period. Other restrictions may be perpetual in nature such as those restricted by a donor in that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organizations' financial reporting. The adoption resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to previous financial statements were required.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give, if any, are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved, if material. Amortization of the discount is recorded as additional revenue in accordance with donor imposed restrictions, if any, on the contributions.

Contributions of gifts in-kind, including investment securities, are recorded as revenue at their estimated fair value in the periods received.

Portions of the Organization's revenues are derived from cost-reimbursable contracts and grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenues when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

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.

Receivables

Receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donors to meet their obligations. It is the organizations policy to charge off uncollectible accounts against the allowance for doubtful accounts when management determines the receivable will not be collected.

Unconditional promises to give consist primarily of amounts related to the Organization's annual fundraising campaign. Because campaign pledges are considered payable to the Organization within one year of the date of the donor's original pledge, no fair value discount of the amounts is considered necessary.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Receivables (continued)

In accordance with generally accepted accounting principles, conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. As of March 31, 2020, the Organization had no conditional promises to give.

The Organization acts as fiscal agent for various pass-through organizations. As of March 31, 2020, \$26,301 was owed to the Organization for advances made to pass-through organizations.

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 as of the date of donation and are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or use. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted 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 net assets with donor restrictions to net assets without donor restrictions 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 and furniture and fixtures - 7 years.

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 year ended March 31, 2020, a total of \$86,462 of professional services related to the Volunteer Income Tax Assistance (VITA) program was 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 as established by accounting principles generally accepted in the United States of America.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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 and unrealized gains and losses are recognized in the statement of activities.

The Organization maintains its investment accounts at two community foundations who pool the funds thereby spreading total risk for each fund amongst all funds invested in the master investment accounts. Other benefits resulting from funds being pooled include the enhancement of investment performance relative to an individual fund and reduced management fee costs. Realized and unrealized gains and losses from securities within the fund are allocated to the individual accounts based on the relationship of the fair value of each endowment to the total fair value within the master investment accounts.

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 Organization's tax returns remain open for three years subsequent to their filing for examination by government authorities.

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.

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.

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.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Agency allocations payable

Agency allocations payable represent funding amounts approved by the Organization's board of directors to 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.

Allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates provided by management. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a basis of periodic time and expense studies. Management and general expenses include those costs that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 2 - Property and Equipment

Property and equipment is as follows.

Land	\$ 142,000
Buildings	645,440
Software	12,500
Equipment and office furniture	163,477
	<hr/> 963,417
Less accumulated depreciation	216,165
	<hr/> <hr/> \$ 747,252

Depreciation expense amounted to \$30,119 in 2020.

Note 3 - 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 THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 3 - 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 THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 3 - Endowment Investments (continued)

Endowment net assets composition by type of fund as of March 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 597,691		\$ 597,691
Donor-designated endowment funds		\$ 321,564	321,564
Total funds	<u>\$ 597,691</u>	<u>\$ 321,564</u>	<u>\$ 919,255</u>

Changes in endowment net assets as of March 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 641,750	\$ 331,949	\$ 973,699
Contributions	125	15,500	15,625
Funds transferred		(10,530)	(10,530)
Investment income	16,470	10,585	27,055
Investment account fees	(10,309)		(10,309)
Net depreciation in value	(50,345)	(25,940)	(76,285)
Endowment net assets, end of year	<u>\$ 597,691</u>	<u>\$ 321,564</u>	<u>\$ 919,255</u>

The Organization applies GAAP for fair value measurements of financial assets 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 measurement 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 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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Note 3 - Endowment Investments (continued)

All investment assets are Level 1 investments.

Donor-restricted net assets consist of the following 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, 2020, the value of the fund was \$294,070. 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, 2020 was \$131,315. These funds are invested with the Coastal Community Foundation of South Carolina, Inc.

Both above-noted funds are included in the balances of the investments accounts presented on the statements of financial position.

Note 4 - Cash Surrender Value

The Organization is the owner and beneficiary of a life insurance policy given by a donor. As of March 31, 2020, the cash surrender value of the policy amounted to \$182,288.

Note 5 - Lines of Credit

During each of the fiscal year ending March 31, 2020, the Organization had access to a line of credit through Palmetto State Bank with a maximum amount available of \$500,000 and which is secured by the Organization's administrative building located in Beaufort, SC. 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. As of March 31, 2020, the Organization owed \$100,000 on this line of credit. The interest rate on borrowings is equal to that of .75% below prime. The interest rate as of March 31, 2020, was 2.25%. Total interest paid for the year ended March 31, 2020, was \$2,008, all of which was charged to operations and also represents cash paid for interest.

UNITED WAY OF THE LOWCOUNTRY, INC.
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Note 6 - 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 \$107,000 for the fiscal year ended March 31, 2020. These amounts are netted against campaign revenues on the Statement of Activities.

Note 7 - Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising costs for the year ended March 31, 2020, were \$16,155.

Note 8 - 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 provides for a mandatory employer contribution of 3% of each employee's gross wages. For the year ended March 31, 2020, the Organization contributed \$9,653 to the plan. The 2020 amount includes additional discretionary funding approved by the Organization's board of directors. Employees eligible for the plan include those who are at a minimum of 21 years of age and work a minimum of 1,000 hours in a given year. Contributions made to the plan by the employees themselves are fully vested and matching contributions made by the Organization vest at a rate of 20% per year.

Note 9 - 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 \$41,585 for the fiscal year ended March 31, 2020.

Note 10 - Concentration of Credit Risk

The Organization conducts its operations solely in Beaufort and Jasper counties within the state of South Carolina and its donors are sensitive to risks associated with conditions affecting the local economy in this geographic area. An economic downturn or effects from natural disasters, for which the area is prone, could cause not only a decrease in contribution revenues but also a simultaneous increase in community need for the Organization's services.

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Note 10 - Concentration of Credit Risk (continued)

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. The Organization exceeded the federally insured limit at March 31, 2020, by approximately \$380,000.

Note 11 - 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 \$1,292 and \$100, respectively. In addition to the above-noted amounts, Organization management estimates that in-kind donations of rental space received during the fiscal year ended March 31, 2020, totaled \$13,700. Total rent expense, including in-kind donations, for the fiscal year ended March 31, 2020, was \$29,560. Future minimum lease payments are as follows:

Year ended March 31,	
2021	\$ <u>3,876</u>

Note 12 - Liquidity

The Organization's primary revenue sources are derived from donations and grants given by individuals, businesses, governments and other not-for-profit organizations. The Organization has various sources of liquidity at its disposal including cash and cash equivalents, investments, receivables and a \$500,000 line of credit (See Note 9). The following table reflects the Organization's financial assets as of March 31, 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions.

Cash and cash equivalents	\$ 774,503
Investments	919,255
Receivables	<u>507,591</u>
Total financial assets	2,201,349
Less donor-restricted investments	(321,564)
Less donor-restricted grants receivable	(36,478)
Less board-designated investments	(597,691)
Less board-designated cash	(533,594)
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>712,022</u>

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Note 13 - Subsequent Events

Management has evaluated subsequent events through February 24, 2021, the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings.