

***UNITED WAY OF THE LOWCOUNTRY, INC***

***AUDIT OF FINANCIAL STATEMENTS***

***MARCH 31, 2021 AND 2020***

UNITED WAY OF THE LOWCOUNTRY, INC.  
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MARCH 31, 2021 AND 2020

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
United Way of the Lowcountry, Inc.  
Beaufort, South Carolina

We have audited the financial statements of United Way of the Lowcountry, Inc. (a non-profit organization) which comprise the statements of financial position as of March 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Caines, Hodges & Company, P.C.*

August 17, 2021

UNITED WAY OF THE LOWCOUNTRY, INC.  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets:		
Cash		
Unrestricted	\$ 664,114	\$ 603,246
Restricted for specific operating programs	113,451	65,954
Fiscal agencies	297,915	105,303
Receivables		
Grants	31,939	89,367
Promises to give, net of allowance	255,969	391,923
Prepaid expenses	7,737	10,594
Total current assets	<u>1,371,125</u>	<u>1,266,387</u>
Investments (Note 2)	1,259,382	919,255
Property and equipment (Note 3)	<u>723,069</u>	<u>747,252</u>
Other assets		
Cash surrender value of insurance (Note 4)	<u>187,529</u>	<u>182,288</u>
	<u>\$ 3,541,105</u>	<u>\$ 3,115,182</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable		
Agencies	\$ 527,479	\$ 647,899
Trade	54,224	78,824
Accrued expenses	24,519	
Unearned revenue	14,972	14,972
Line of credit (Note 5)	75,111	100,000
Fiscal agency funds payable (Note 6)	299,091	358,231
Total current liabilities	<u>995,396</u>	<u>1,199,926</u>
Net assets:		
Without donor restrictions	2,120,831	1,584,341
With donor restrictions (Note 14)	424,878	330,915
Total net assets	<u>2,545,709</u>	<u>1,915,256</u>
	<u>\$ 3,541,105</u>	<u>\$ 3,115,182</u>

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

UNITED WAY OF THE LOWCOUNTRY, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Support		
Contributions	\$ 1,691,345	\$ 1,614,810
Special events	62,815	37,110
In-kind donations	97,240	86,462
Rental income	3,338	5,400
Investment income (loss)	245,054	(31,937)
Loss on sale of investments	(1,037)	(114)
Loan forgiveness (Note 7)	156,017	
Other income	22,471	19,052
	<u>2,277,243</u>	<u>1,730,783</u>
Net assets released from restrictions by payments	<u>520,370</u>	<u>455,908</u>
	<u>2,797,613</u>	<u>2,186,691</u>
 Expenses		
Program Services	1,715,850	1,798,598
Supporting Services	545,273	656,790
	<u>2,261,123</u>	<u>2,455,388</u>
 Increase (decrease) in net assets without donor restrictions	<u>536,490</u>	<u>(268,697)</u>
 Net assets with donor restrictions:		
Contributions	228,007	105,208
Grants	279,642	350,700
Investment return	106,684	(15,354)
	<u>614,333</u>	<u>440,554</u>
Net assets released from restrictions by payments	<u>(520,370)</u>	<u>(455,908)</u>
Increase (decrease) in net assets with donor restrictions	<u>93,963</u>	<u>(15,354)</u>
 Increase (decrease) in net assets	<u>630,453</u>	<u>(284,051)</u>
 Net assets - beginning of year - as previously stated	1,915,256	2,583,839
Prior period adjustment (Note 17)		(384,532)
Net assets - beginning of year - as restated	<u>1,915,256</u>	<u>2,199,307</u>
 Net assets - end of year	<u>\$ 2,545,709</u>	<u>\$ 1,915,256</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, 2021

	Program Services				Support Services			
	Community Impact	Education	VITA Grant	Americorps Grant	Total Program Services	Management & General	Fundraising	Total Support Services
\$	255,944	\$ 143,850	\$	\$ 84,531	\$ 484,325	\$ 133,878	\$ 208,693	\$ 342,571
Salaries and related expenses	124				124	11,230	50	11,230
Bank and brokerage fees	4,227	3,772			7,999	156	3,447	206
Meeting expense	266			(202)	64	2,211	149	5,658
Occupancy	6,339	5,657			11,996	1,671	5,168	1,820
Conference and training expense	1,693	1,511			3,204	3,315	8,483	1,884
Computer and software fees	11,727	10,465			22,192	886	1,381	2,267
Dues and subscriptions						6,134	9,562	15,696
United Way dues							23,910	23,910
Special events								
Hiring expense	6,489	105		581	686	502		502
Insurance expense	655	5,790			12,279	3,395	5,291	8,686
Interest expense	5,039	584			1,239	342	534	876
Office equipment	2,350	4,497			9,536	2,636	4,109	6,745
Office supplies	3,812	2,097			4,447	1,229	1,917	3,146
Postage & printing		3,401			7,213	1,994	3,108	5,102
Professional fees						13,000		13,000
Marketing & promotional						6,572	42,478	49,050
Rent expense	4,907	4,378			9,285	2,567	4,001	6,568
Telephone expense	6,948	5,710		360	13,018	5,201	5,845	11,046
Travel and mileage	1,457	1,126		533	3,116	1,172	3,238	4,410
Volunteer expenses	124	4		769	897	54		54
Miscellaneous	2,850	2,541			5,391	5,606	2,323	7,929
Program grants and contracted agencies	839,408	50,593	\$ 208,470	\$ 6,204	\$ 1,104,675	\$ 6,511	\$ (212)	\$ 1,110,974
Total before depreciation	1,154,359	246,081	208,470	92,776	1,701,686	210,262	324,992	535,254
Depreciation	7,485	6,679			14,164	3,916	6,103	10,019
\$	1,161,844	\$ 252,760	\$ 208,470	\$ 92,776	\$ 1,715,850	\$ 214,178	\$ 331,095	\$ 545,273
								\$ 2,261,123

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				Support Services			
	Community Impact	Education	VITA Grant	Americorps Grant	Total Program Services	Management & General	Fundraising	Total Support Services
	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and related expenses	191,273	154,803		146,323	492,399	95,054	198,256	293,310
Bank and brokerage fees	10,309				10,309	7,619		7,619
Meeting expense	2,258	1,668		333	4,259	2,279	2,146	4,425
Occupancy	5,704	4,853			10,557	2,980	6,215	9,195
Conference and training expense	30	181		5,183	5,394.00	3,534	1,111	4,645
Contract labor						95		95
Community engagement	750				750.00	860		860
Computer and software fees	4,099	3,487			7,586.00	2,141	4,466	6,607
Dues and subscriptions	180	423			603.00	5,171	11	5,182
United Way dues	12,010	10,217			22,227.00	6,273	13,085	19,358
Special events	73				73.00		16,443	16,443
Hiring expense				206	206.00	8,711		8,711
Insurance expense	4,384	3,730			8,114.00	2,291	4,776	7,067
Interest expense	580	493			1,073.00	303	632	935
Staff recognition						386		386
Office equipment	6,828	5,810			12,638.00	3,568	7,440	11,008
Office supplies	2,411	2,475		145	5,031.00	1,259	2,627	3,886
Postage & printing	3,263	2,777			6,040.00	1,705	21,479	23,184
Professional fees	21,000				21,000.00	9,953		9,953
Marketing & promotional	230				230.00	4,458	11,468	15,926
Rent expense	4,645	3,952			8,597.00	2,427	5,061	7,488
Telephone expense	5,696	4,691		480	10,867.00	7,176	6,425	13,601
Travel and mileage	4,423	3,658		4,122	12,203.00	4,284	6,459	10,743
Volunteer expenses	923	1,083		3,539	5,545.00	355		355
Bad debts						141,960		141,960
Miscellaneous						19,827		19,827
Program grants and contracted agencies	933,667	52,116	151,016		1,136,799			1,136,799
Total before depreciation	1,214,736	256,417	151,016	160,331	1,782,500	334,669	308,100	642,769
Depreciation	8,698	7,400			16,098	4,544	9,477	14,021
	\$ 1,223,434	\$ 263,817	\$ 151,016	\$ 160,331	\$ 1,798,598	\$ 339,213	\$ 317,577	\$ 656,790
								\$ 2,455,388

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



UNITED WAY OF THE LOWCOUNTRY, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 630,453	\$ (284,051)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,183	30,119
Unrealized (gain) loss on investments	(295,397)	76,285
Cash surrender value of insurance	(5,241)	(5,266)
(Increase) decrease in:		
Grants receivable	57,428	27,578
Promises to give	135,954	334,657
Prepaid expense	2,857	(1,659)
Increase (decrease) in:		
Accounts payable - trade	(24,600)	15,589
Accounts payable - agencies	(120,420)	(36,349)
Accrued expenses	24,519	
Unearned revenue		(67,922)
Funds due to others	(59,140)	(26,301)
Net cash provided by operating activities	<u>370,596</u>	<u>62,680</u>
Cash flows from investing activities:		
Purchases of investments	<u>(44,729)</u>	<u>(21,840)</u>
Cash flows from financing activities:		
Repayment of line of credit	(24,889)	
Proceeds from line of credit		100,000
Net cash provided by (used for) financing activities	<u>(24,889)</u>	<u>100,000</u>
Net increase in cash	300,978	140,840
Cash and cash equivalents - beginning of year	<u>774,503</u>	<u>633,663</u>
Cash and cash equivalents - end of year	<u>\$ 1,075,481</u>	<u>\$ 774,503</u>
Included in accompanying statement of position as follows.		
Cash - unrestricted	\$ 664,114	\$ 603,246
Cash - restricted for specific operations	113,451	65,954
Cash - agencies	297,915	105,303
	<u>\$ 1,075,480</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, 2021 AND 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 of not-for-profit organizations based on assessments of need by the local community for the services the not-for-profits provide, the financial needs of the not-for-profit, and their impacts on the community measured by the outcomes they report. 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:** 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** - 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, 2021 AND 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

The significant accounting policies followed by the Organization and the methods of applying these policies which materially affect the determination of financial position, changes in financial position, changes in net assets and results of operations are summarized as follows.

Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Organization classifies its net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of contributions from the Organization's supporters and related expenses associated with the core activities of the Organization: program services, administrative and fundraising. In addition to these transactions, changes in this category of net assets include returns on investments and certain types of philanthropic support. Such philanthropic support includes gifts without restrictions, including those designated by the Board of Directors to function as an endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

*Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts and contributions from donors designated for general and specific purposes. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and investments with original maturities of three months or less.

Revenue recognition

In 2019 the Organization adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 65)*. In 2020, the Organization adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Both standards were adopted as management believes the standards improve the usefulness and understandability of the Organization's financial reporting. Neither adoption required the restatement of prior year amounts.

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.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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 Organization's 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.

In accordance with GAAP, 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, 2021 and 2020, the Organization had no conditional promises to give.

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.

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UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2021 and 2020, professional services related to the Volunteer Income Tax Assistance (VITA) program received by the Organization was \$97,240 and

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 GAAP.

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

Income taxes

The Organization is an exempt organization under Internal Revenue Code Section 501(c)(3) and is not subject to income tax. Therefore, no provision for income tax is recorded. Three years dating back to March 31, 2018 remain open to examination by taxing authorities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of any contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates

UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 1 - Summary of Significant Accounting Policies (continued)

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 restricted 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.

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.

Reclassification

Certain 2020 amounts have been reclassified to conform with the 2021 financial statement presentation.

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UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 2 - 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 GAAP, 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 net assets with donor restrictions as (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 is restricted 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 affect 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.

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UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 2 - 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 and available for appropriations by the Board of Directors total 4% of the fund's average balance for the most recent twenty quarters. Funds invested with Community Foundation of the Lowcountry and available for spending total 5% of the previous five year average daily balance of the fund's market value. In establishing these policies, the Organization considered its long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions and the possible effects of inflation.

Endowment net assets composition by type of fund as of March 31, 2021 and 2020 are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 847,653		\$ 847,653
Donor-designated endowment funds		\$ 411,729	411,729
Total funds	<u>\$ 847,653</u>	<u>\$ 411,729</u>	<u>\$ 1,259,382</u>
	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 613,066		\$ 613,066
Donor-designated endowment funds		\$ 306,189	306,189
Total funds	<u>\$ 613,066</u>	<u>\$ 306,189</u>	<u>\$ 919,255</u>

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UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 2 - Investments (continued)

Changes in endowment net assets as of March 31, 2021 and 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, March 31, 2019	\$ 641,750	\$ 331,949	\$ 973,699
Contributions	15,500	125	15,625
Grants from endowment		(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, March 31, 2020	<u>613,066</u>	<u>306,189</u>	<u>919,255</u>
Contributions	2,000	4,250	6,250
Grants from endowment		(5,394)	(5,394)
Investment income	48,382	7,172	55,554
Investment account fees	(11,679)		(11,679)
Net appreciation in value	195,884	99,512	295,396
Endowment net assets, March 31, 2021	<u>\$ 847,653</u>	<u>\$ 411,729</u>	<u>\$ 1,259,382</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.

All investment assets are Level 1 investments.

UNITED WAY OF THE LOWCOUNTRY, INC.  
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Note 2 - Investments (continued)

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 fulfilment of the mission of the fund. As of March 31, 2021 and 2020, the value of the fund was \$409,053 and \$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, 2021 and 2020 was \$173,814 and \$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 3 - Property and Equipment

Property and equipment is as follows.

	2021	2020
Land	\$ 142,000	\$ 142,000
Buildings	645,440	645,440
Software	12,500	12,500
Equipment and office furniture	163,478	163,478
	963,418	963,418
Less accumulated depreciation	240,349	216,166
	<u>\$ 723,069</u>	<u>\$ 747,252</u>

Depreciation expense for the years ended March 31, 2021 and 2020, amounted to \$24,183 and \$30,119, respectively.

UNITED WAY OF THE LOWCOUNTRY, INC.  
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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, 2021 and 2020, the cash surrender value of the policy amounted to \$187,529 and \$182,288, respectively.

Note 5 - Lines of Credit

During the fiscal year ending March 31, 2021, the Organization had access to a line of credit through Palmetto State Bank with a maximum amount available of \$500,000 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 March 25, 2023, at which point any outstanding principal and interest amounts are due. As of March 31, 2021 and 2020, the Organization owed \$75,111 and \$100,000, respectively on this line of credit. The interest rate on borrowings is equal to 1% below prime. The interest rate as of March 31, 2020 was 2.25%. Total interest paid for the years ended March 31, 2021 and 2020, was \$111 and \$2,008, respectively all of which was charged to operations and also represents cash paid for interest.

Note 6 - Fiscal agency funds payable

The Organization acts as a fiscal sponsor to a number of agencies, which engage in activities that are consistent with the Organization's mission. The Organization accepts tax-deductible donations on behalf of fiscally sponsored groups and administers the expenditures of those funds for designated tax-exempt charitable purposes.

Note 7 - Payroll Protection Program Loan

The Organization received a Payroll Protection Program loan in the amount of \$156,017. As of March 31, 2021, the Organization had met all criteria for the loan to be forgiven. No interest is accrued on this loan as the forgiveness occurred before any interest payment was required. The Payroll Protection Program loan was forgiven on November 25, 2020.

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UNITED WAY OF THE LOWCOUNTRY, INC.  
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Note 8 - 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. Designations for Alexis de Tocqueville society members amounted \$167,795 and \$107,000 for the fiscal years ended March 31, 2021 and 2020. These amounts are netted against contributions on the statement of activities.

Note 9 - Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising costs for the years ended March 31, 2021 and 2020, were \$13,144 and \$9,416. These costs are included in marketing and promotional expenses in the statement of functional expense.

Note 10 - 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 the employee's gross wages. For the years ended March 31, 2021 and 2020, the Organization contributed \$10,702 and \$9,653 to the plan. 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 11 - 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 \$37,888 and \$41,585 for the fiscal years ended March 31, 2021 and 2020.

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UNITED WAY OF THE LOWCOUNTRY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2021 AND 2020

Note 12 - 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.

The Organization maintains its cash in bank deposit accounts at high credit quality institutions. The balance at times may exceed federally insured limits. At March 31, 2021, the Organization exceeded the federally insured limit by approximately \$500,000.

Note 13 - Commitments

The Organization rents office space in Bluffton, South Carolina. The rental agreements for this location call for a monthly rent expense of \$1,292. Total rent expense totaled \$15,853 and \$16,085 respectively for the fiscal years ended March 31, 2021 and 2020. Future minimum lease payments are as follows:

Year ended March 31,	
2022	\$ <u>15,972</u>

Note 14 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes.

	<u>2021</u>	<u>2020</u>
Endowment	\$ 417,248	\$ 306,314
Program support	7,630	24,601
	\$ <u>424,878</u>	\$ <u>330,915</u>

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UNITED WAY OF THE LOWCOUNTRY, INC.  
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Note 15 - Net Assets Released from Restrictions

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purpose.

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Program support	\$ <u>520,370</u>	\$ <u>455,908</u>

Note 16 - 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 5). The following table reflects the Organization's financial assets as of March 31, 2021, 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	\$ 1,075,480
Investments	1,259,382
Receivables	<u>287,908</u>
Total financial assets	2,622,770
Less donor-restricted investments	(427,104)
Less donor-restricted grants receivable	(31,939)
Less board-designated investments	(847,653)
Less board-designated cash	(113,451)
Less cash restricted for fiscal agent funds	(297,915)
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>904,708</u></u>

Note 17 - Prior Period Adjustment

During 2021, the Organization determined that the beginning balances of fiscal agency accounts in 2020 were reported incorrectly. The financial statements for 2020 have been restated to reflect the correction. The effect of this correction was to increase funds due to others by \$384,532 and decrease beginning unrestricted net assets by an equal amount.

UNITED WAY OF THE LOWCOUNTRY, INC.  
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Note 18 - Cost Allocation

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries and related benefits, which are allocated on the basis of estimates of time and effort.

Note 19 - Subsequent Events

Management has evaluated subsequent events through August 17, 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. The related financial impact and duration cannot be reasonably estimated at this time.