

UNITED WAY OF THE LOWCOUNTRY, INC.

AUDIT OF FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

UNITED WAY OF THE LOWCOUNTRY, INC.
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MARCH 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statement of United Way of the Lowcountry, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of the Lowcountry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Lowcountry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Way of the Lowcountry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Lowcountry Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

July 10, 2023

UNITED WAY OF THE LOWCOUNTRY, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
<u>Assets</u>		
Current assets:		
Cash		
Unrestricted	\$ 993,428	\$ 772,056
Restricted for specific operating programs	99,287	95,607
Fiscal agencies	383,504	407,192
Receivables		
Trade	495	5,225
Grants		83,005
Promises to give, net of allowance for doubtful accounts of \$41,245	170,696	196,117
Prepaid expenses	10,983	24,203
Total current assets	1,658,393	1,583,405
Investments (Note 2)	1,301,622	1,352,592
Property and equipment (Note 3)	717,903	696,729
Other assets		
Cash surrender value of insurance (Note 4)	197,434	192,571
	\$ 3,875,352	\$ 3,825,297
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable		
Agencies	\$ 652,993	\$ 614,519
Trade	9,309	38,272
Current portion of operating lease obligations	17,348	
Fiscal agency funds payable (Note 6)	340,777	357,441
Total current liabilities	1,020,427	1,010,232
Long-term debt - operating lease obligations	22,577	0
Net assets:		
Without donor restrictions	2,417,617	2,379,538
With donor restrictions (Note 13)	414,731	435,527
Total net assets	2,832,348	2,815,065
	\$ 3,875,352	\$ 3,825,297

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, 2023 AND 2022

	2023	2022
Net assets without donor restrictions:		
Support		
Contributions	\$ 1,804,113	\$ 2,000,957
Special events	121,511	142,388
In-kind donations	132,370	66,758
Rental income	5,445	5,490
Investment income (loss)	(42,387)	70,166
Gain (loss) on sale of investments	(108)	1,898
Other income	130,549	15,035
	2,151,493	2,302,692
Net assets released from restrictions by payments	1,582,511	346,499
	3,734,004	2,649,191
 Expenses		
Program services	3,026,178	1,766,664
Support services	669,747	677,041
	3,695,925	2,443,705
 Increase in net assets without donor restrictions	38,079	205,486
 Net assets with donor restrictions:		
Contributions	87,642	106,431
Grants	1,496,780	223,097
Investment income (loss)	(22,707)	33,139
	1,561,715	362,667
Net assets released from restrictions by payments	(1,582,511)	(346,499)
Increase (decrease) in net assets with donor restrictions	(20,796)	16,168
 Increase in net assets	17,283	221,654
 Net assets - beginning of year	2,815,065	2,593,411
 Net assets - end of year	\$ 2,832,348	\$ 2,815,065

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, 2023

	Program Services					Support Services				
	Community Impact	Education	VITA Grant	Americorps Grant	Total Program Services	Management & General	Fundraising	Total Support Services	Total	
Salaries and related expenses	\$ 213,254	\$ 93,577	\$ 77,229	\$ 22,780	\$ 406,840	\$ 349,690	\$ 83,350	\$ 433,040	\$ 839,880	
Bank and brokerage fees					-	8,878		8,878	8,878	
Meetings	2,350	1,201	653	78	4,282	1,070	966	2,036	6,318	
Occupancy	6,939	3,563	1,875	188	12,565	3,375	2,813	6,188	18,753	
Conferences and training			675	675	1,350	1,937	645	2,582	3,932	
Contract labor	2,357				2,357	4,132	197	4,329	6,686	
Community engagement	676,431	37			676,468	2,972	30	3,002	679,470	
Computer and internet	17,671	9,074	4,776	478	31,999	8,596	7,164	15,760	47,759	
Dues and subscriptions	3,709	1,904	1,103	100	6,816	1,704	1,503	3,207	10,023	
United Way dues	10,341	5,277	2,800	368	18,786	4,696	4,273	8,969	27,755	
Special events			30,230		30,230	2,500	34,338	36,838	67,068	
Insurance	7,879	4,027	2,189	263	14,358	3,589	3,239	6,828	21,186	
Office equipment	1,453	743	404	48	2,648	662	598	1,260	3,908	
Supplies	1,771	905	492	59	3,227	807	728	1,535	4,762	
Postage and shipping	2,361	1,207	656	79	4,303	1,076	971	2,047	6,350	
Printing	4,387	2,242	1,219	146	7,994	2,412	1,804	4,216	12,210	
Professional fees					-	15,497		15,497	15,497	
Advertising and marketing	35		179	430	644	13,792	36,227	50,019	50,663	
Leases	6,717	3,449	1,815	182	12,163	3,086	2,904	5,990	18,153	
Communications	6,517	3,231	1,800	217	11,765	4,873	2,669	7,542	19,307	
Travel	4,845	3,747	1,569	385	10,546	9,961	5,183	15,144	25,690	
Volunteers	594		25		619	85	247	332	951	
Bad debts					-	11,827		11,827	11,827	
Miscellaneous					-	15,633		15,633	15,633	
Program grants and contracted agencies	1,486,020	81,048	178,787	6,112	1,751,967		28	28	1,751,995	
Total before depreciation	2,455,631	215,232	308,476	32,588	3,011,927	472,850	189,877	662,727	3,674,654	
Depreciation	7,870	4,041	2,127	213	14,251	3,829	3,191	7,020	21,271	
	\$ 2,463,501	\$ 219,273	\$ 310,603	\$ 32,801	\$ 3,026,178	\$ 476,679	\$ 193,068	\$ 669,747	\$ 3,695,925	

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, 2022

	Program Services					Support Services				
	Community Impact	Education	VITA Grant	Americorps Grant	Total Program Services	Management & General	Fundraising	Total Support Services	Total	
Salaries and related expenses	\$ 237,642	\$ 98,452	81,477	\$ 163,891	\$ 581,462	\$ 139,190	\$ 125,611	\$ 264,801	\$ 846,263	
Bank and brokerage fees	3,256	1,323	1,119	916	6,614	1,830	1,730	3,560	10,174	
Meetings	869	360	298	261	1,788	509	459	968	2,756	
Occupancy	5,267	2,182	1,806	1,580	10,835	3,087	2,784	5,871	16,706	
Conferences and trianing	256	95		217	568	495	969	1,464	2,032	
Contract labor	1,808				1,808	1,082		1,082	2,890	
Community engagement	620,396				620,396				620,396	
Computer and internet	12,015	4,978	4,120	3,605	24,718	7,037	6,351	13,388	38,106	
Dues and subscriptions	1,388	564	477	390	2,819	781	737	1,518	4,337	
United Way dues	9,359	3,803	3,218	2,633	19,013	5,265	4,973	10,238	29,251	
Special events			28,209		28,209		22,235	22,235	50,444	
Insurance	6,947	2,878	2,382	2,084	14,291	4,069	3,672	7,741	22,032	
Interest	390	158	134	110	792	219	207	426	1,218	
Office equipment	1,115	462	382	334	2,293	654	589	1,243	3,536	
Supplies	1,940	804	665	582	3,991	1,136	1,025	2,161	6,152	
Postage & shipping	2,158	877	742	607	4,384	1,213	1,146	2,359	6,743	
Printing	8,370	3,400	2,877	2,354	17,001	4,708	4,447	9,155	26,156	
Professional fees						13,400		13,400	13,400	
Advertising and marketing	2,075				2,075	3,494	80,098	83,592	85,667	
Leases	5,149	2,133	1,765	1,545	10,592	3,014	2,722	5,736	16,328	
Communications	6,843	2,780	2,352	1,924	13,899	3,849	3,635	7,484	21,383	
Travel	1,376	1,716	1,301	1,196	5,589	2,333	3,829	6,162	11,751	
Volunteers	181			381	562	53	762	815	1,377	
Bad debts	24,628	10,005	8,466	6,927	50,026	13,853	13,084	26,937	76,963	
Miscellaneous	4,173	1,695	1,435	1,174	8,477	2,348	2,216	4,564	13,041	
Program grants and contracted agencies	156,244	63,474	53,709	43,944	317,371	87,887	83,005	170,892	488,263	
Total before depreciation	1,113,845	202,139	196,934	236,655	1,749,573	301,506	366,286	667,792	2,417,365	
Depreciation	8,326	3,438	2,856	2,471	17,091	4,844	4,405	9,249	26,340	
	\$ 1,122,171	\$ 205,577	\$ 199,790	\$ 239,126	\$ 1,766,664	\$ 306,350	\$ 370,691	\$ 677,041	\$ 2,443,705	

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, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 17,283	\$ 221,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,271	26,340
Unrealized loss on investments	83,244	12,415
Cash surrender value of insurance	(4,863)	(5,042)
(Increase) decrease in:		
Trade	4,730	(5,225)
Grants receivable	83,005	(3,364)
Promises to give	25,421	59,852
Prepaid expense	13,220	(16,466)
Increase (decrease) in:		
Accounts payable - trade	(28,963)	(40,471)
Accounts payable - agencies	38,474	87,040
Unearned revenue		(14,972)
Funds due to others	(16,664)	58,350
Operating lease liability	39,925	
Net cash provided by operating activities	276,083	380,111
Cash flows from investing activities:		
Purchases of property and equipment	(42,444)	
Purchases of investments	(32,275)	(105,625)
Net cash used for investing activities	(74,719)	(105,625)
Cash flows from financing activities:		
Repayment of line of credit		(75,111)
Net cash used for financing activities	0	(75,111)
Net increase in cash	201,364	199,375
Cash and cash equivalents - beginning of year	1,274,855	1,075,480
Cash and cash equivalents - end of year	\$ 1,476,219	\$ 1,274,855
Included in accompanying statement of position as follows.		
Cash - unrestricted	\$ 993,428	\$ 772,056
Cash - restricted for specific operations	99,287	95,607
Cash - agencies	383,504	407,192
	\$ 1,476,219	\$ 1,274,855

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

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 focused 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, 2023 AND 2022

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, 2023 AND 2022

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

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.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2023 and 2022, 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.

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, 2023 and 2022, professional services related to the Volunteer Income Tax Assistance (VITA) program received by the Organization was \$132,370 and \$60,838, respectively.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 1 - Summary of Significant Accounting Policies (continued)

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 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, 2020, 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.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 1 - Summary of Significant Accounting Policies (continued)

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 2022 amounts have been reclassified to conform with the 2023 financial statement presentation.

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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 2 - Investments (continued)

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

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

Endowment net assets composition by type of fund as of March 31, 2023 and 2022, are as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 886,891		\$ 886,891
Donor-designated endowment funds		\$ 414,731	414,731
Total funds	\$ 886,891	\$ 414,731	\$ 1,301,622

UNITED WAY OF THE LOWCOUNTRY, INC.
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MARCH 31, 2023 AND 2022

Note 2 - Investments (continued)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 917,154		\$ 917,154
Donor-designated endowment funds		\$ 435,438	435,438
Total funds	\$ 917,154	\$ 435,438	\$ 1,352,592

Changes in endowment net assets as of March 31, 2023 and 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, March 31, 2021	\$ 847,653	\$ 411,729	\$ 1,259,382
Contributions	15,078	16,500	31,578
Grants from endowment		(25,930)	(25,930)
Investment income	78,655	36,765	115,420
Investment account fees	(15,443)		(15,443)
Net appreciation in value	(8,789)	(3,626)	(12,415)
Endowment net assets, March 31, 2022	917,154	435,438	1,352,592
Contributions	26,145	2,000	28,145
Grants from endowment		(5,806)	(5,806)
Investment income	16,405	7,551	23,956
Investment account fees	(14,021)		(14,021)
Net appreciation in value	(58,792)	(24,452)	(83,244)
Endowment net assets, March 31, 2023	\$ 886,891	\$ 414,731	\$ 1,301,622

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:

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 2 - Investments (continued)

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.

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. Investment income derived from the fund is split evenly between net assets without donor restrictions and net assets with donor restrictions. As of March 31, 2023 and 2022, the value of the fund was \$412,566 and \$428,434. 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. Investment income derived from the fund is allocated to net assets with donor restrictions until the restrictions have been released. The value of the fund as of March 31, 2023 and 2022, was \$171,665 and \$187,257. 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.

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UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 3 - Property and Equipment

Property and equipment is as follows.

	2023	2022
Land	\$ 142,000	\$ 142,000
Buildings	645,440	645,440
Leasehold improvements	4,822	4,822
Software	115,254	111,400
Equipment and office furniture	59,756	59,756
Operating leases right-of-use assets	38,590	
	<u>1,005,862</u>	<u>963,418</u>
Less accumulated depreciation	287,959	266,689
	<u>\$ 717,903</u>	<u>\$ 696,729</u>

Depreciation expense for the years ended March 31, 2023 and 2022, amounted to \$21,271 and \$26,340, respectively.

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, 2023 and 2022, the cash surrender value of the policy amounted to \$197,434 and \$192,571, respectively.

Note 5 - Lines of Credit

During the fiscal year ending March 31, 2023 and 2022, 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 29, 2026, at which point any outstanding principal and interest amounts are due. There was no outstanding balance at March 31, 2023 or 2022. The interest rate on borrowings is equal to 1% below prime. The prime rate as of March 31, 2023 was 8.0%. Total interest paid for the years ended March 31, 2023 and 2022, was \$0 and \$1,218, respectively all of which was charged to operations and also represents cash paid for interest.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

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 - 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 to \$81,000 and \$121,000 for the fiscal years ended March 31, 2023 and 2022. These amounts are netted against contributions on the statement of activities.

Note 8 - Advertising Costs

Advertising costs are expensed as incurred. Total direct advertising costs for the years ended March 31, 2023 and 2022, were \$0 and \$6,500. These costs are included in marketing and promotional expenses in the statement of functional expense.

Note 9 - 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, 2023 and 2022, the Organization contributed \$16,251 and \$16,158 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.

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 10 - 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 \$27,755 and \$29,252 for the fiscal years ended March 31, 2023 and 2022.

Note 11 - 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, 2023, the Organization exceeded the federally insured limit by approximately \$966,565.

Note 12 - Operating leases

The Organization rents office space in Bluffton, South Carolina. The lease term is used for the amortization life of the lease asset. The operating lease was \$16,810 in 2023 and is recognized in the income statement as rent expense. The remaining lease term at March 31, 2023, is approximately 2 years and the discount rate is 7%.

The Organization leases office equipment under the terms of an operating lease. The lease term is used for the amortization of the lease asset. The operating lease was \$1,253 in 2023 and is recognized in the income statement as equipment lease expense. The remaining lease term at March 31, 2023, is approximately 1 year and the discount rate is 7%.

The following is a summary of property held under operating leases.

Assets held under operating leases	\$ 55,031
Accumulated amortization	<u>(16,441)</u>
	<u><u>38,590</u></u>

UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Note 12 - Operating leases (continued)

The following is a schedule by years of future minimum lease payments under operating leases as of March 31, 2023.

Year ending March 31:		
2024	\$	19,598
2025		19,043
2026		4,581
Net minimum lease payments		<u>43,222</u>
Amount representing interest		<u>(3,297)</u>
	\$	<u><u>39,925</u></u>

Note 13 - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Endowment	\$ 414,731	\$ 435,438
Program support		89
	<u>\$ 414,731</u>	<u>\$ 435,527</u>

Note 14 - Net Assets Released from Restrictions

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

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished:		
Program support	\$ <u>1,582,511</u>	\$ <u>346,499</u>

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UNITED WAY OF THE LOWCOUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

Note 15 - 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, 2023, 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	\$ 1,476,219
Investments	1,301,622
Receivables	171,191
Total financial assets	2,949,032
Less donor-restricted investments	(414,731)
Less board-designated investments	(886,891)
Less board-designated cash	(99,287)
Less cash restricted for fiscal agent funds	(383,504)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,164,619

Note 16 - 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 17 - Subsequent Events

Management has evaluated subsequent events through July 10, 2023, the date the financial statements were available to be issued.