

UNITED WAY OF THE COASTAL EMPIRE, INC.
SAVANNAH, GEORGIA

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AUDIT REPORT

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DECEMBER 31, 2018

UNITED WAY OF THE COASTAL EMPIRE, INC.
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities.....	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements.....	6-10

Independent Auditor's Report

To The Board of Directors
United Way of the Coastal Empire, Inc.
Savannah, Georgia

We have audited the accompanying financial statements of United Way of the Coastal Empire, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Coastal Empire, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Canady, Hodges, Caines & Richbourg, LLP

June 25, 2019

UNITED WAY OF THE COASTAL EMPIRE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

<u>Assets</u>	
Current assets	
Cash and cash equivalents	2,213,050
Short-term investments	104,196
Pledges and accounts receivable	
Current year campaign	5,793,694
Allowance for uncollectible pledges	(448,083)
Prior year campaign	243,000
Other receivables	8,363
Prepaid expenses	75,832
Total current assets	<u><u>7,990,052</u></u>
Property and equipment	
Land, buildings and equipment	3,810,732
Less - accumulated depreciation	(2,609,052)
Total property and equipment	<u><u>1,201,680</u></u>
Other assets	
Long-term investments	325,431
Cash surrender value of life insurance	80,253
Total other assets	<u><u>405,684</u></u>
Total Assets	<u><u><u>9,597,416</u></u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities	
Accounts payable	33,671
Allocations payable	3,639,509
Due to designated agencies	1,715,186
Funds held for disposition	711,878
Total current liabilities	<u><u>6,100,244</u></u>
Net assets	
Without donor restrictions	3,497,172
With donor restrictions	-
Total net assets	<u><u>3,497,172</u></u>
Total Liabilities and Net Assets	<u><u><u>9,597,416</u></u></u>

The accompanying notes are an integral part of these financial statements
(2)

UNITED WAY OF THE COASTAL EMPIRE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Change in Net Assets Without Donor Restrictions:

Support and Revenue

Campaign support

Annual campaign	8,687,272
Less:	
Allowance for uncollectibles	(448,083)
Designations	<u>(2,656,863)</u>
Net campaign support	<u>5,582,326</u>

Other revenue

Contributions from trust	813,782
Grant revenue	33,738
In-kind contributions	334,221
Special events and miscellaneous	125,074
Processing fees	21,082
Rental income	102,871
Investment income	<u>8,339</u>
Total other revenue	<u>1,439,107</u>

Total support and revenue	<u>7,021,433</u>
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Allocations and Expenses

Allocations and designations	6,294,444
Community service expenses	<u>1,843,611</u>
Total impact	8,138,055
Less donor designations	<u>(2,656,863)</u>
Net allocations and community service expenses	5,481,192
Administration and fundraising expenses	<u>1,514,902</u>
Total allocations and functional expenses	<u>6,996,094</u>

Change in net assets before unrealized loss on investments	25,339
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Unrealized loss on investments	<u>(19,796)</u>
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Change in net assets	5,543
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Net assets at beginning of year	<u>3,491,629</u>
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Net assets at end of year	<u><u>3,497,172</u></u>
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The accompanying notes are an integral part of these financial statements

UNITED WAY OF THE COASTAL EMPIRE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

Cash Flows From (For) Operating Activities

Change in net assets	5,543
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	141,703
Unrealized loss on investment funds	19,796
In-kind contributions of advertising	(334,221)
Utilization of in-kind advertising received	334,221
Changes in:	
Annual campaign pledges receivable	(168,435)
Accounts receivable	133,676
Prepaid expenses	(47,792)
Cash surrender value of donated life insurance policy	(7,982)
Accounts payable	(46,873)
Allocations payable	(13,199)
Due to designated agencies	(315,566)
Funds held for disposition	274,879
Net cash for operating activities	<u>(24,250)</u>

Cash Flows For Investing Activities

Redemption of matured certificate of deposit	65,275
Sale of investments	72,216
Purchase of property and equipment	(55,026)
Net cash from investing activities	<u>82,465</u>

Cash Flows For Financing Activities

Decrease in other long-term liabilities	(80,131)
Net cash for financing activities	<u>(80,131)</u>

Net decrease in cash and cash equivalents (21,916)

Beginning cash and cash equivalents 2,234,966

Ending cash and cash equivalents 2,213,050

Supplemental cash flow information:

Interest paid	<u><u>-</u></u>
Income taxes paid	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF THE COASTAL EMPIRE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Community Service Expenses			Administration and Fundraising Expenses					Total Allocations and Functional Expenses
	Allocations	Program Services	Community Investment	Total Community Services	Communi-cations	Resource Development (Fundraising)	Management & General	Administration & Fundraising Expenses	
Allocations and designations	6,294,444	-	-	-	-	-	-	-	6,294,444
Less: donor designations	(2,656,863)	-	-	-	-	-	-	-	(2,656,863)
Total allocations	3,637,581	-	-	-	-	-	-	-	3,637,581
Salaries	-	681,097	244,509	925,606	98,177	390,875	155,655	644,707	1,570,313
Employee benefits	-	172,546	44,933	217,479	21,384	117,689	55,630	194,703	412,182
Payroll taxes	-	49,544	17,930	67,474	7,167	28,295	12,610	48,072	115,546
Total compensation	-	903,187	307,372	1,210,559	126,728	536,859	223,895	887,482	2,098,041
Bank/credit card fees	-	-	-	-	-	28	15,105	15,133	15,133
Third party processing fees	-	-	-	-	-	7,298	-	7,298	7,298
Professional fees	-	12,741	1,276	14,017	150	6,968	24,116	31,234	45,251
Supplies	-	3,961	201	4,162	1,007	1,253	9,379	11,639	15,801
Telephone	-	24,286	2,354	26,640	2,402	5,147	7,692	15,241	41,881
Postage	-	947	203	1,150	269	3,915	4,133	8,317	9,467
Building expense	-	95,668	9,551	105,219	5,597	11,049	18,814	35,460	140,679
Insurance	-	14,441	1,739	16,180	1,278	2,997	7,158	11,433	27,613
Equipment maintenance	-	21,641	11,190	32,831	3,418	4,004	13,545	20,967	53,798
Printing/publications	-	3,527	163	3,690	4,398	32,213	3,800	40,411	44,101
Transportation	-	14,513	1,006	15,519	2,317	7,276	4,001	13,594	29,113
Conferences and meetings	-	7,825	2,578	10,403	3,771	8,021	12,653	24,445	34,848
Membership dues	-	3,378	228	3,606	119	1,340	5,285	6,744	10,350
Staff replacement	-	1,216	360	1,576	30	150	7,922	8,102	9,678
Special events	-	19,915	2,430	22,345	126,256	20,753	9,804	156,813	179,158
Miscellaneous expense	-	6,911	108	7,019	6,605	6,792	9,443	22,840	29,859
United Way of America dues	-	39,500	6,583	46,083	8,229	13,167	23,041	44,437	90,520
Total before depreciation and in-kind	3,637,581	1,173,657	347,342	1,520,999	292,574	669,230	399,786	1,361,590	6,520,170
Depreciation	-	90,690	11,336	102,026	5,668	12,753	21,256	39,677	141,703
In-kind advertising	-	220,586	-	220,586	-	113,635	-	113,635	334,221
Total functional expenses	3,637,581	1,484,933	358,678	1,843,611	298,242	795,618	421,042	1,514,902	6,996,094

The accompanying notes are an integral part of these financial statements
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UNITED WAY OF THE COASTAL EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 – Nature of Activities

The mission of United Way of the Coastal Empire, Inc. (United Way) is to improve lives by mobilizing the caring power of communities. The United Way provides voluntary leadership for a network of organizations and individuals, which assesses human service needs, develops resources to meet those needs and assures their effective use for the well-being of the people it serves. The United Way provides an organizational structure to conduct an annual fundraising campaign which benefits numerous human service programs. While a major function of United Way is the raising of funds and allocation of funds to the programs of other agencies, the United Way also provides direct programs such as 2-1-1, Hands on Savannah, (United Way Volunteers) and various client services at the Bryan, Effingham and Liberty locations.

Revenues are provided by the annual campaign, the H. V. Jenkins Trust, special events, rental income, grants and other.

Note 2 – Summary of Significant Accounting Policies

Accounting Method – The United Way uses the accrual method of accounting, recognizing income as earned and expenses as incurred.

Recent Accounting Pronouncements – On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The United Way has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Advertising Cost – Advertising costs are expensed as incurred.

Short-Term Investments – Certificates of deposit with initial maturities of over three months are classified as short-term investments and are reported at cost.

Liquidity Management - As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to financial assets available to meet general expenditures over the year, the United Way invests its idle cash into short-term certificates of deposit, which it could draw upon if necessary.

Investments and Fair Value Measurements – The United Way applies the U.S. GAAP authoritative guidance for *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements used to measure fair value:

UNITED WAY OF THE COASTAL EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Pledges and Contributions - Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges and Contributions Designated By Donor – In regard to pledges and contributions designated to specific agencies by the donor, the United Way is considered an agent for the designated agencies and, as such, treats the pledges as liabilities to those agencies. For the year 2018, the designated pledges and contributions were \$2,656,863.

Donated Services and Assets – The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However, a substantial number of volunteers donate significant amounts of their time to United Way's program services and its fundraising campaign. Donated advertising from local media providers is recorded at its estimated fair market value as of the date received.

Allowance for Uncollectible Pledges – The allowance for uncollectible pledges is computed as a percent of annual campaign pledges received. This percentage is based on prior year's experience, and current local economic conditions.

Property and Equipment – Property and equipment are capitalized at cost provided such cost exceeds \$1,000 and the purchase benefits more than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

UNITED WAY OF THE COASTAL EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 support. Absent donor stipulation regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Income Tax – The United Way is exempt from income tax under Section 501 (c) (3) of the U.S. Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation under Section 509 (a) of the Code. Contributions to the United Way are deductible within the limitations of the Code.

As of December 31, 2018, the tax years that remain subject to examination by taxing authorities begin with 2015. Management believes that all positions taken in those years would be sustained should those years be examined.

Subsequent Events – Management has evaluated subsequent events through June 25, 2019, the date the financial statements were available to be issued. Management was not aware of any subsequent events through this date that would have a material effect on these financial statements.

Note 3 – Use of Estimates

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

Note 4 – Pledges Receivable

Pledges receivable represent the balance of annual United Way campaign pledges receivable at December 31, 2018. All pledges receivable are due within one year.

UNITED WAY OF THE COASTAL EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 5 – Property and Equipment

Property and Equipment consisted of the following as of December 31, 2018:

Land	190,000
Building and Improvements	3,117,817
Furniture, Fixtures & Equipment	<u>502,915</u>
	3,810,732
Less-accumulated depreciation	<u>(2,609,052)</u>
Total	<u>1,201,680</u>

Note 6 – Long Term Investments

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and bond funds	42,981	-	-	42,981
Government bonds	-	21,449	-	21,449
Stocks and equity mutual funds	260,807	-	-	260,807
Limited partnerships	-	194	-	194
	<u>303,788</u>	<u>21,643</u>	<u>-</u>	<u>325,431</u>

The United Way holds a majority of its investments within Level 1 in which fair value is determined by quoted prices in active markets for identical assets. There were no changes in valuation techniques during the year.

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the assets falls is determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based on the pricing transparency of the asset and does not necessarily correspond to the United Way's perceived risk of liquidity for that asset.

Investment return, comprised of interest income and net realized and unrealized gains and losses on investments, totaled (\$11,879) (net of expenses of \$3,422) and was included in the Statement of Activities.

UNITED WAY OF THE COASTAL EMPIRE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 – Cash Surrender Value of Life Insurance

The United Way is the owner and beneficiary of an insurance policy on the lives of certain supporters of United Way. The policy has a face amount of \$500,000 and a cash surrender value of \$80,253 as of December 31, 2018.

Note 8 – Retirement Plan

The United Way offers a 403(b) thrift pension plan to employees who meet certain minimum age and service requirements. The United Way contributed 7% of all participants' eligible compensation to the plan. In addition, the United Way contributed a one-half match of participants' contributions up to 3% of compensation. The total expense for the year 2018 was \$135,160.

Note 9 – Note Payable – Line of Credit

The organization has a line of credit with Wells Fargo Bank. The line is unsecured and has a maximum borrowing limit of \$300,000. Interest is payable monthly at a rate of 6%. At December 31, 2018, the outstanding balance on the line of credit was \$0.

Note 10 – Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 11 – Concentration of Credit Risk

The United Way occasionally maintains deposits in excess of federally insured limits. Accounting standards identify these items as a concentration of credit risk requiring disclosure regardless of the degree of risk. Uninsured deposits total \$1,709,677 as of December 31, 2018. This risk is managed by maintaining all deposits in high quality financial institutions.

Approximately 23% of the annual campaign contributions are related to one organization in Savannah Georgia.

Note 12 – Designation as Beneficiary of Trust Proceeds

In July 1997, United Way was designated as the beneficiary of a majority of the earnings of the Herschel V. Jenkins Trust Fund. These earnings will be used to defray administrative costs of the United Way. During 2018, \$813,782 was recognized as income under this arrangement.