

**UNITED WAY OF SOUTHWEST
ALABAMA, INC.**

Financial Statements

for the year ended
December 31, 2014



UNITED WAY OF SOUTHWEST ALABAMA, INC.

Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9



INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
United Way of Southwest Alabama, Inc.
Mobile, Alabama

We have audited the accompanying financial statements of the United Way of Southwest Alabama, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Southwest Alabama, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Southwest Alabama, Inc.'s 2013 financial statements, and our report dated August 1, 2014, expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Russell Thompson Butler & Houston, LLP

*Mobile, Alabama
August 6, 2015*

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Financial Position

December 31, 2014

(with comparative totals as of December 31, 2013)

December 31	2014	2013
Assets		
Cash and cash equivalents	\$ 519,983	\$ 678,964
Certificates of deposit	190,061	246,014
Pledges receivable - current campaign, net	1,912,447	1,780,317
Pledges receivable - prior campaign, net	711,501	583,584
Accounts receivable - other	60,675	122,216
Prepaid expenses	11,015	3,662
Investments, at market value	958,106	906,207
Property and equipment, net	187,412	194,354
Total assets	\$ 4,551,200	\$ 4,515,318
Liabilities and Net Assets		
Liabilities		
Allocations and designations payable	\$ 704,780	\$ 707,636
Accounts payable and accrued expenses	21,894	20,101
Total liabilities	726,674	727,737
Net assets		
Unrestricted	1,880,160	2,139,938
Temporarily restricted	1,884,366	1,587,643
Permanently restricted	60,000	60,000
Total net assets	3,824,526	3,787,581
Total liabilities and net assets	\$ 4,551,200	\$ 4,515,318

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities
Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

Year Ended December 31	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Comparative Totals Only
Public support and revenue					
Gross campaign results					
Campaign contributions - current year	\$ 1,724,197	\$ 3,137,237	\$ -	\$ 4,861,434	\$ 4,155,031
Donor designations	(124,210)	(1,125,031)	-	(1,249,241)	(1,308,689)
Less allowance for uncollectibles	(32,800)	(310,281)	-	(343,081)	(296,780)
Net campaign revenue - current year	1,567,187	1,701,925	-	3,269,112	2,549,562
Campaign contributions - prior year	2,801,151	(2,801,151)	-	-	-
Less donor designations	(1,096,390)	1,096,390	-	-	-
Less allowance for uncollectibles	(296,780)	296,780	-	-	-
Net campaign revenue - prior year	1,407,981	(1,407,981)	-	-	-
Recovery of pledge contributions in excess of prior allowance	153,900	-	-	153,900	159,317
Net campaign results	3,129,068	293,944	-	3,423,012	2,708,879
Other contributions	238,736	-	-	238,736	169,259
In-kind revenue	19,780	-	-	19,780	25,343
Investment return	66,751	(683)	-	66,068	137,366
Administrative fee income	22,500	-	-	22,500	22,813
Service fee revenue	93,118	107,516	-	200,634	162,962
Other public support	127,193	-	-	127,193	244,309
	3,697,146	400,777	-	4,097,923	3,470,931
Releases from restriction	104,054	(104,054)	-	-	-
Total public support, revenue, and releases	3,801,200	296,723	-	4,097,923	3,470,931

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities (continued)
 Year Ended December 31, 2014
 (with comparative totals for the year ended December 31, 2013)

Year Ended December 31	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Comparative Totals Only
Expenses					
Program services					
Funds allocated to partners	3,227,436	-	-	3,227,436	3,195,646
Less allocations funded through designations	(805,104)	-	-	(805,104)	(755,434)
Total allocations	2,422,332	-	-	2,422,332	2,440,212
Special designations to partners Community and program services provided	77,042	-	-	77,042	73,850
Total program services	3,411,405	-	-	3,411,405	3,553,084
Supporting services					
Organizational administration	145,193	-	-	145,193	152,900
Fund-raising	457,981	-	-	457,981	449,511
United Way Worldwide dues	46,399	-	-	46,399	44,188
Total supporting services	649,573	-	-	649,573	646,599
Total expenses	4,060,978	-	-	4,060,978	4,199,683
Change in net assets	(259,778)	296,723	-	36,945	(728,752)
Net assets					
Beginning of year	2,139,938	1,587,643	60,000	3,787,581	4,516,333
End of year	\$ 1,880,160	\$ 1,884,366	\$ 60,000	\$ 3,824,526	\$ 3,787,581

See notes to financial statements

Statement of Functional Expenses
Year Ended December 31, 2014
(with comparative totals for the year ended December 31, 2013)

Year Ended December 31	2014		
		Program Services	
	Allocations	Community and program	Totals
Funds allocated to partners	\$ 3,227,436	\$ 77,042	\$ 3,304,478
Less allocations funded through designations	(805,104)	-	(805,104)
Subtotal	2,422,332	77,042	2,499,374
Salaries	-	459,809	459,809
Payroll taxes	-	32,795	32,795
Employee benefits	-	84,996	84,996
Totals	-	577,600	577,600
Agency relations	-	95,112	95,112
Advertising	-	12,803	12,803
Board/staff development	-	4,795	4,795
Contract labor	-	21,759	21,759
Contract services	-	10,320	10,320
Dues and subscriptions	-	3,217	3,217
Depreciation	-	14,556	14,556
Insurance	-	10,393	10,393
Miscellaneous	-	8,703	8,703
Occupancy	-	38,658	38,658
Postage and shipping	-	3,094	3,094
Printing	-	21,892	21,892
Repairs and maintenance	-	118	118
Professional fees	-	16,438	16,438
Special events	-	30,613	30,613
Supplies	-	14,170	14,170
Telephone	-	12,066	12,066
Travel	-	15,724	15,724
Subtotal	-	912,031	912,031
United Way Worldwide dues	-	-	-
Total functional expenses	\$ 2,422,332	\$ 989,073	\$ 3,411,405

UNITED WAY OF SOUTHWEST ALABAMA, INC.

2014					2013	
Supporting Services						
Organizational administration	Fund- raising	UWW Dues	Totals	Totals	Comparative Totals Only	
\$ -	\$ -	\$ -	\$ -	\$ 3,304,478	\$ 3,269,496	
-	-	-	-	(805,104)	(755,434)	
-	-	-	-	2,499,374	2,514,062	
82,768	173,413	-	256,181	715,990	682,764	
5,903	12,368	-	18,271	51,066	49,874	
15,300	32,055	-	47,355	132,351	123,166	
103,971	217,836	-	321,807	899,407	855,804	
-	6,844	-	6,844	101,956	51,410	
2,305	4,829	-	7,134	19,937	13,897	
863	1,809	-	2,672	7,467	21,451	
3,917	8,206	-	12,123	33,882	29,758	
-	146,936	-	146,936	157,256	324,280	
579	1,213	-	1,792	5,009	5,265	
2,620	5,490	-	8,110	22,666	18,911	
1,871	3,920	-	5,791	16,184	11,957	
1,566	3,282	-	4,848	13,551	8,578	
6,959	14,579	-	21,538	60,196	67,652	
557	1,167	-	1,724	4,818	7,914	
3,941	8,256	-	12,197	34,089	18,096	
21	44	-	65	183	206	
2,959	6,199	-	9,158	25,596	53,230	
5,511	11,546	-	17,057	47,670	82,028	
2,551	5,344	-	7,895	22,065	28,186	
2,172	4,551	-	6,723	18,789	14,107	
2,830	5,930	-	8,760	24,484	28,703	
145,193	457,981	-	603,174	1,515,205	1,641,433	
-	-	46,399	46,399	46,399	44,188	
\$ 145,193	\$ 457,981	\$ 46,399	\$ 649,573	\$ 4,060,978	\$ 4,199,683	

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Cash Flows

Year Ended December 31, 2014

(with comparative totals for the year ended December 31, 2013)

Year Ended December 31	2014	2013
Cash flows from operating activities		
Change in net assets	\$ 36,945	\$ (728,752)
Adjustments to reconcile change in net assets to net cash (used in) operating activities		
Depreciation	22,666	18,911
Net realized (gain) on investments	(43,023)	(56,630)
Net unrealized (gain) on investments	(9,538)	(68,276)
Provision for uncollectibles	343,081	296,780
(Increase) decrease in:		
Pledges receivable	(603,128)	258,069
Accounts receivable - other	61,541	(67,068)
Prepaid expenses	(7,353)	11,925
Increase (decrease) in:		
Allocations and designations payable	(2,856)	73,161
Accounts payable and accrued expenses	1,793	10,185
Net cash (used in) operating activities	(199,872)	(251,695)
Cash flows from investing activities		
Purchase of investments	(283,752)	(405,941)
Proceeds from sale of investments	340,367	404,482
Purchases of property and equipment	(15,724)	(1,651)
Net cash provided by (used in) investing activities	40,891	(3,110)
Net decrease in cash and cash equivalents	(158,981)	(254,805)
Cash and cash equivalents		
Beginning of year	678,964	933,769
End of year	\$ 519,983	\$ 678,964
Supplemental disclosures:		
In-kind revenue	\$ 19,780	\$ 25,343
In-kind service expense	\$ 19,780	\$ 25,343

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements

December 31, 2014

Note 1 – Statement of purpose

United Way of Southwest Alabama, Inc. (the Organization) began in 1926. It was formally organized as the Community Chest of Mobile, holding its first united campaign on behalf of 22 health and human service agencies in 1927. The Organization's mission is to improve the quality of life in the community. Through a workplace fund drive conducted primarily by volunteers, the Organization raises money from individuals and organizations to make possible services provided both by the Organization and by other area not-for-profit health and human service organizations. Virtually all of the Organization's funds are derived from contributions by residents and businesses in Mobile, Clarke, and Washington counties. The Organization is governed by a volunteer board of trustees.

Note 2 – Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby net assets and activities are reported, based on the existence or absence of donor-imposed restrictions, into three classes: unrestricted, temporarily restricted, and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and cash equivalents

The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of deposits

Certificates of deposit are carried at fair market value which approximates cost. Fair market value is measured based on Level 2 inputs, which consist of quoted prices for similar assets or liabilities in active markets.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 2 – Summary of significant accounting policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets on the statement of activities.

The board-designated reserve funds (BDRF) are invested at Hancock Bank, with the objective to seek the highest returns on investments with the lowest possible risk with a maximum of 60% in common stocks. The purpose of the fund is to provide emergency funding to the partners in the event of an unforeseen disaster. The goal is to maintain a principal balance in the account of at least \$1,000,000.

The donor-restricted fund consists of the Alabama Power Endowment fund which is invested in a moderate portfolio at the Community Foundation of South Alabama. The income of the endowment will be used as the need might dictate to fund approved grant proposals.

Property and equipment

Property and equipment items are carried at cost, or if donated, at the estimated fair market value at the time of donation. Expenditures which materially increase values or extend useful lives are capitalized, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. The net gain or loss on items retired or otherwise disposed of is credited or charged to income and the cost and accumulated depreciation are removed from the accounts.

Depreciation

A provision for depreciation of property and equipment is made using the straight-line method. Estimated useful lives are principally as follows: building, parking lot, and improvements, 10 - 40 years; furniture and fixtures, 5 – 18 years; and computer equipment, 3 – 10 years.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 2 – Summary of significant accounting policies (continued)***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization conducts an annual fund-raising campaign for the following year's operations. Thus, campaign contributions are treated as temporarily restricted in the year of the campaign and are transferred to unrestricted in the following year when the funds will be used to fund program allocations and the Organization's programs and supporting services. The Organization honors designations made to each partner agency by distributing the portion of a donor's pledge to said partner agency.

Contributions received in the current year from the preceding year's fund-raising campaign are reported as unrestricted since the restrictions are met in the same year.

Pledges receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Pledges, less an estimated provision for uncollectible amounts, are recorded as receivables and as contributions in the year the pledge is made. Provision for uncollectible amounts is computed based upon a historical average adjusted by management's estimate of current economic factors, applied to individual county campaigns, excluding state and combined federal campaigns, special designations and youth allocations.

Donated property and services

The Organization recognizes donated property and other intangible gifts-in-kind such as advertising and building and facility use as a contribution at its estimated market value at the date of the gift. The value of donated services is not recognized as a contribution since no objective basis is available to measure the value of such services and generally they do not require specialized skills. A substantial number of volunteers and organizations have donated significant amounts of their time and services on the Organization's behalf.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 2 – Summary of significant accounting policies (continued)***Functional expense allocations***

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Functional expenses are allocated according to staff time spent on the benefitting programs and supporting services.

Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Compensated absences

Employees of the Organization are entitled to paid vacation, depending on the length of time employed. It is impractical to estimate the amount of compensation for absences; accordingly, no liability has been recorded in the financial statements. The Organization's policy is to recognize the cost of compensated absences when the time is taken.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2014 was \$19,937.

Memorandum totals

The Organization's financial statements follow the guidance prescribed by United Way Worldwide titled, *Implementation Requirements for Membership Standard H – Financial Statement Standards* (Standard H). The statements of activities and functional expenses include certain prior year summarized comparative data in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized data was derived.

Cost deduction standards

The Organization pledges to commit to comply with the United Way Worldwide's *Implementation Requirements for Membership Standard M – Cost Deduction Requirements*.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 2 – Summary of significant accounting policies (continued)

Uncertain tax positions

The Organization implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2014, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. With few exceptions, the Organization is no longer subject to Federal or state income tax examinations by taxing authorities for years before 2011.

Subsequent events

Management's evaluation of subsequent events through August 6, 2015, which is the date the financial statements were available to be issued revealed no significant matters to be recorded or disclosed, except as detailed in Note 16.

Note 3 – Certificates of deposit

A detail of certificates of deposit as of December 31, 2014 is as follows:

First Community Bank, Chatom, Alabama	\$ 80,719
Capstone Bank, McIntosh, Alabama	32,959
Merchants Bank, Jackson, Alabama	42,183
First United Security Bank, Thomasville, Alabama	34,200
<hr/>	
Total	<u>\$ 190,061</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 4 – Current campaign

The pledges receivable are due in one year and include the following unconditional promises to give as of December 31, 2014:

Undesignated	
County campaign	\$ 2,395,638
Combined federal campaign	1,069
Alabama state employee campaign	6,510
<u>Total undesignated</u>	<u>2,403,217</u>
Designated	
County campaign	580,996
Combined federal campaign	115,615
Alabama state employee campaign	77,409
<u>Total designated</u>	<u>774,020</u>
Gross unconditional pledges	3,177,237
Cash collected during campaign	(954,509)
<u>Total</u>	<u>2,222,728</u>
Less allowance for uncollectible pledges	(310,281)
<u>Pledges receivable, net of allowance for uncollectible pledges</u>	<u>\$ 1,912,447</u>

Note 5 – Prior campaign

The pledges receivable due in one year include the following as of December 31, 2014:

Pledges receivable, gross	\$ 762,602
Less allowance for uncollectible pledges	(51,101)
<u>Pledges receivable, net of allowance</u>	<u>\$ 711,501</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 6 – Investments

The United Way of Southwest Alabama, Inc. had two investment funds at the Community Foundation of South Alabama (CFSA) and a board-designated reserve fund (BDRF) with Hancock Bank during 2014.

Contributions to the Alabama Power Foundation Endowment fund are recorded as permanently restricted and the income and unrealized appreciation/depreciation are recorded as temporarily restricted until used to fund the approved grant proposals.

The BDRF was funded with unrestricted resources; therefore, the income and unrealized appreciation/depreciation are recorded as unrestricted net assets.

Net investment composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor-restricted	\$ -	\$ 32,758	\$ 60,000	\$ 92,758
Board-restricted	865,348	-	-	865,348
Total funds	\$ 865,348	\$ 32,758	\$ 60,000	\$ 958,106

Changes in net investments for the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net investments, beginning of year	\$ 812,766	\$ 33,441	\$ 60,000	\$ 906,207
Investment income, net	11,036	1,630	-	12,666
Net appreciation	8,148	1,390	-	9,538
Net realized gain	41,596	1,427	-	43,023
Withdrawals, net	-	(3,950)	-	(3,950)
Management fees	(8,198)	(1,180)	-	(9,378)
Net investments, end of year	\$ 865,348	\$ 32,758	\$ 60,000	\$ 958,106

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 6 – Investments (continued)

The Endowed Annual Gift Fund has not been included as an asset of the Organization since CFSA has control of these funds. This fund was established as an endowment to provide current income and long-term financial support of the annual campaigns and totals \$257,684 as of December 31, 2014.

The Financial Accounting Standards Board established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets; and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values of assets measured on a recurring basis as of December 31, 2014 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 1,821	\$ 1,821	\$ -
Bonds	380,757	287,999	92,758
Equities	525,515	525,515	-
Certificate of deposit	50,013	-	50,013
Total assets	\$ 958,106	\$ 815,335	\$ 142,771

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
December 31, 2014

Note 6 – Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2014:

Interest and dividend income	\$ 13,507
Net realized gains	43,023
Net unrealized gains	9,538
<hr/>	
Investment return	\$ 66,068
<hr/>	

Investment expense incurred during the year ended December 31, 2014 was \$9,378.

Note 7 – Property and equipment

Property and equipment consists of the following as of December 31, 2014:

Parking lot - Joachim	\$ 49,017
Building and improvements	453,994
Furniture and fixtures	83,878
Computer equipment	199,948
<hr/>	
	786,837
Less accumulated depreciation	599,425
<hr/>	
Property and equipment, net	\$ 187,412
<hr/>	

Note 8 – Line of credit

The Organization has a revolving line of credit with Hancock Bank in the amount of \$250,000 dated December 29, 2014, expiring December 29, 2016 and is secured by the Organization's securities and investment account held at Hancock Bank. The line bears interest at LIBOR plus 2.25%, (2.40% at December 31, 2014) and is payable monthly. At December 31, 2014 the Organization had not drawn any amount on the note.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 9 – Unrestricted appropriated net assets

Unrestricted net assets were appropriated by the Board of Trustees as of December 31, 2014 as follows:

Appropriated by board for reserve:	
Mobile County	\$ 865,348
Washington County	113,677
Clarke County	76,384
Appropriated for property and equipment	187,412
<hr/>	
Total	\$ 1,242,821
<hr/>	

Note 10 – Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2014, are available for the following purposes:

Time restrictions - net campaign contributions for future years	\$ 1,797,452
Purpose restrictions - grants and other contributions that are restricted by the donors for payment of expenses incurred in conjunction with specific projects related primarily to community issues	54,156
Purpose restrictions - earnings on endowment to be used to fund approved grant proposals	32,758
<hr/>	
Total temporarily restricted net assets	\$ 1,884,366
<hr/>	

Note 11 – Permanently restricted net assets

The Organization received an endowment from the Alabama Power Foundation. The principal is permanently restricted, and endowment fund earnings are temporarily restricted to fund special grants.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 12 – Related party transactions

The Organization contracts with the Local Federal Coordinating Committee (LFCC) to manage the Southwest Alabama Combined Federal Campaign (CFC) for federal employees in nine counties in Alabama. It also contracts with the State of Alabama to manage the Alabama State Employees' Charitable Campaign (ASECC) in five counties in Alabama. The Organization is reimbursed for campaign expense related to the management of these campaigns. Reimbursements due of \$15,045 are included in pledges receivable as of December 31, 2014. Included in other accounts receivables is an amount due of \$6,325 from the LFCC for amounts owed to charities as of December 31, 2014.

Members of the Board of Trustees are also members of the Board of Trustees of the Gordon Smith Center, Inc. (a not-for-profit organization). The Organization pays expenses on behalf of the Gordon Smith Center, Inc., which are reimbursed. The Organization received \$2,000 administrative income for the year ended December 31, 2014.

Members of the Board of Trustees are also members of the Board of Trustees of Hands on South Alabama, Inc. (a not-for-profit organization). The Organization pays expenses on behalf of Hands on South Alabama, Inc., which are reimbursed. Reimbursements due of \$25,465 are included in accounts receivable – other as of December 31, 2014.

Note 13 – 403(b) Retirement plan

The Organization sponsors a defined contribution retirement plan covering substantially all employees.

Employees may elect to defer any percentage of their compensation not to exceed the Internal Revenue Service Code 402(g) limit. The plan provides for employer matching contributions up to 3% of each participant's compensation, as well as employer discretionary contributions. All employee and employer contributions are 100% vested at all times. The Organization's contributions to this plan totaled \$38,449, which is included in employee benefits, for the year ended December 31, 2014.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2014

Note 14 – Concentrations

The Organization depends solely upon the residents and businesses of Mobile, Washington, and Clarke counties for its public support. The top 50 supporters and their employees are responsible for a significant portion of the revenue.

The Organization maintains cash balances at several financial institutions located in Alabama. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2014, there was \$150,442 of uninsured cash account balances.

Note 15 – Operating lease

The Organization is under an equipment lease that expires August 15, 2016. Future minimum rental payments are as follows:

2015	\$ 14,724
2016	9,816
<hr/>	
Total	<u>\$ 24,540</u>

Note 16 – Subsequent events

Subsequent to December 31, 2014, the Board of Directors approved a change to the Organizations fiscal year end to March 31st.