

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

Financial Statements

for the 15 months ended
June 30, 2017

UNITED WAY OF SOUTHWEST ALABAMA, INC.

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LIVE UNITED



**United Way
of Southwest Alabama**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of United Way of Southwest Alabama, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the 15 months 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 United Way of Southwest Alabama, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the 15 months then ended in accordance with accounting principles generally accepted in the United States of America.

Russell Thompson Butler & Houston, LLP

*Mobile, Alabama
December 21, 2017*

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Financial Position
June 30, 2017

Assets

Cash and cash equivalents	\$ 493,984
Certificates of deposit	191,805
Pledges receivable - current campaign, net	1,249,838
Pledges receivable - prior campaign, net	8,785
Accounts receivable - other	5,421
Prepaid expenses	20,757
Investments, at market value	853,198
Property and equipment, net	149,679

Total assets	\$ 2,973,467
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Liabilities and Net Assets

Liabilities

Line of credit	\$ 150,000
Allocations payable	157,814
Designations payable	601,139
Accounts payable and accrued expenses	89,693

Total liabilities	998,646
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Net assets

Unrestricted	(136,510)
Temporarily restricted	2,051,331
Permanently restricted	60,000

Total net assets	1,974,821
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Total liabilities and net assets	\$ 2,973,467
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See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities 15 Months Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Public support and revenue				
Gross campaign results				
Campaign contributions - current year	\$ 256,549	\$ 3,750,480	\$ -	\$ 4,007,029
Donor designations	(20,745)	(1,180,872)	-	(1,201,617)
Allowance for uncollectibles	-	(264,074)	-	(264,074)
Net campaign revenue - current year	235,804	2,305,534	-	2,541,338
Campaign contributions - prior year	3,771,285	(3,771,285)	-	-
Donor designations	(947,183)	947,183	-	-
Allowance for uncollectibles	(300,180)	300,180	-	-
Net campaign revenue - prior year	2,523,922	(2,523,922)	-	-
Recovery of pledge contributions in excess of prior allowance	140,318	-	-	140,318
Net campaign results	2,900,044	(218,388)	-	2,681,656
Other contributions	292,033	-	-	292,033
In-kind revenue	20,750	-	-	20,750
Investment income	73,815	10,641	-	84,456
Administrative fee income	20,500	-	-	20,500
Service fee revenue	-	109,575	-	109,575
Other public support	179,016	65,613	-	244,629
Releases from restriction	3,486,158	(32,559)	-	3,453,599
	207,875	(207,875)	-	-
Total public support, revenue, and releases	3,694,033	(240,434)	-	3,453,599

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities (continued)
15 Months Ended June 30, 2017

Expenses	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Program services				
Funds allocated to partners	3,291,856	-	-	3,291,856
Less allocations funded through designations	(754,610)	-	-	(754,610)
Total allocations	2,537,246	-	-	2,537,246
Special designations to partners	204,588	-	-	204,588
Community and program services provided	995,953	-	-	995,953
Total program services	3,737,787	-	-	3,737,787
Supporting services				
Organizational administration	165,199	-	-	165,199
Fund-raising	651,444	-	-	651,444
United Way World wide dues	54,216	-	-	54,216
Total supporting services	870,859	-	-	870,859
Total expenses	4,608,646	-	-	4,608,646
Change in net assets	(914,613)	(240,434)	-	(1,155,047)
Net assets				
Beginning of year	778,103	2,291,765	60,000	3,129,868
End of year	\$ (136,510)	\$ 2,051,331	\$ 60,000	\$ 1,974,821

See notes to financial statements

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UNITED WAY OF SOUTHWEST ALABAMA, INC.

Supporting Services				
Organizational Administration	Fund- Raising	UWW Dues	Totals	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 3,496,444
-	-	-	-	(754,610)
-	-	-	-	2,741,834
80,046	250,266	-	330,312	698,482
5,786	18,090	-	23,876	50,489
20,344	63,606	-	83,950	177,522
106,176	331,962	-	438,138	926,493
-	4,699	-	4,699	234,893
2,308	7,217	-	9,525	20,141
1,689	5,281	-	6,970	14,739
3,550	11,099	-	14,649	30,978
-	130,249	-	130,249	136,185
838	2,621	-	3,459	7,316
2,579	8,062	-	10,641	22,500
1,967	6,149	-	8,116	17,161
4,454	13,925	-	18,379	38,865
8,148	25,474	-	33,622	71,096
1,453	4,542	-	5,995	12,676
1,027	3,211	-	4,238	8,961
4,329	13,535	-	17,864	37,776
17,763	55,538	-	73,301	155,003
4,762	14,888	-	19,650	41,552
1,667	5,211	-	6,878	14,545
2,489	7,781	-	10,270	21,716
165,199	651,444	-	816,643	1,812,596
-	-	54,216	54,216	54,216
\$ 165,199	\$ 651,444	\$ 54,216	\$ 870,859	\$ 4,608,646

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Cash Flows
15 Months Ended June 30, 2017

Cash flows from operating activities	
Change in net assets	\$ (1,155,047)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	22,500
Net realized (gain) on investments	(14,379)
Net unrealized (gain) on investments	(51,275)
Provision for uncollectibles	264,074
(Increase) decrease in:	
Pledges receivable	464,633
Accounts receivable - other	22,000
Prepaid expenses	442,665
Increase (decrease) in:	
Allocations payable	141,066
Designations payable	(1,702)
Accounts payable and accrued expenses	9,724
Net cash provided by operating activities	144,259
Cash flows from investing activities	
Purchase of investments	(354,015)
Proceeds from sale of investments	346,758
Purchases of property and equipment	(12,126)
Net cash (used in) investing activities	(19,383)
Net increase in cash and cash equivalents	124,876
Cash and cash equivalents	
Beginning of year	369,108
End of year	\$ 493,984
Supplemental disclosures:	
In-kind revenue and corresponding expense	\$ 20,750
Interest paid	\$ 6,343

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements
June 30, 2017

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, Choctaw, and Washington counties. The Organization is governed by a volunteer board of trustees.

Note 2 – Summary of significant accounting policies

Fiscal year end change

The Organization changed its fiscal year end from March 31 to June 30; accordingly, the financial statements represent a 15 month period ended June 30, 2017. As a result, the financial statements reflect revenue from one campaign collection period; whereas, the expenses represent 18 months of funds allocated to partners and 15 months of supporting services including organizational administration and fund-raising expenses.

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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

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

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.

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 achieve 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)
June 30, 2017

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 fiscal 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)
June 30, 2017

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.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the 15 months ended June 30, 2017 was \$20,141.

United Way Worldwide presentation standards

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

Uncertain tax positions

The Organization follows 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 June 30, 2017, 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 2013.

Subsequent events

Management's evaluation of subsequent events through December 21, 2017, which is the date the financial statements were available to be issued revealed no significant matters to be recorded or disclosed, except for the line of credit renewal as described in Note 8.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

Note 3 – Certificates of deposit

A detail of certificates of deposit as of June 30, 2017, is as follows:

First Community Bank, Chatom, Alabama	\$ 81,528
Capstone Bank, McIntosh, Alabama	33,206
Merchants Bank, Jackson, Alabama	42,558
First United Security Bank, Thomasville, Alabama	34,513
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Total	\$ 191,805
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Note 4 – Current campaign (2016)

The pledges receivable are due in one year and include the following unconditional promises to give as of June 30, 2017:

Undesignated	
County campaign	\$ 2,995,203
Combined federal campaign	2,792
Alabama state employee campaign	6,880
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Total undesignated	3,004,875
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Designated	
County campaign	580,288
Combined federal campaign	89,250
Alabama state employee campaign	76,067
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Total designated	745,605
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Gross unconditional pledges	3,750,480
Cash collected during campaign	(2,135,384)
Special designations paid on UWSWA's behalf	(101,184)
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Pledges receivable, gross	1,513,912
Less allowance for uncollectible pledges	(264,074)
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Pledges receivable, net of allowance for uncollectible pledges	\$ 1,249,838
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UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

Note 5 – Prior campaign (2015)

The pledges receivable are due in one year and include the following as of June 30, 2017:

Pledges receivable, gross	\$ 183,114
Less allowance for uncollectible pledges	(174,329)
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Pledges receivable, net of allowance for uncollectible pledges	\$ 8,785
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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 2017.

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.

Changes in net investments for the 15 months ended June 30, 2017, are as follows:

	Totals
Net investments, beginning of year	\$ 781,153
Investment income, net	17,912
Net unrealized appreciation	51,275
Net realized gain	14,379
Withdrawals, net	-
Management fees	(11,521)
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Net investments, end of year	\$ 853,198
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UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

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 \$250,048 as of June 30, 2017.

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 June 30, 2017, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 17,516	\$ 17,516	\$ -
Bonds	339,124	240,572	91,203
Equities	446,533	386,834	-
Certificate of deposit	50,025	-	50,018
Total assets	\$ 853,198	\$ 644,922	\$ 141,221

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)
June 30, 2017

Note 6 – Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the 15 months ended June 30, 2017:

Interest and dividend income	\$ 18,802
Net realized gains	14,379
Net unrealized appreciation	51,275
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Investment income	\$ 84,456
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Investment expense incurred during the 15 months ended June 30, 2017, was \$11,521.

Note 7 – Property and equipment

Property and equipment consists of the following as of June 30, 2017:

Parking lot - Joachim	\$ 49,017
Building and improvements	463,461
Furniture and fixtures	83,878
Computer equipment	202,608
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	798,964
Less accumulated depreciation	649,285
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Property and equipment, net	\$ 149,679
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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, 2017, and is secured by the Organization's securities and investment account held at Hancock Bank. The line bears interest at LIBOR plus 2.25% (4.125% at June 30, 2017) and is payable monthly. At June 30, 2017, the Organization had drawn \$150,000 on the note. Interest expense for the 15 months ended June 30, 2017, totaled \$6,343. Effective December 14, 2017, the line of credit was renewed with a maturity date of December 14, 2018.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

Note 9 – Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2017 are available for the following purposes:

Time restrictions - net campaign contributions for future years	\$ 1,969,982
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	39,505
Purpose restrictions - earnings on endowment to be used to fund approved grant proposals	41,844
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Total temporarily restricted net assets	\$ 2,051,331

Note 10 – 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.

Note 11 – 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 expenses related to the management of these campaigns. Reimbursements due of \$11,308 are included in pledges receivable as of June 30, 2017.

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 of administrative income for the 15 months ended June 30, 2017.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2017

Note 12 – 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 \$54,920, which is included in employee benefits, for the 15 months ended June 30, 2017.

Note 13 – Concentrations

The Organization depends solely upon the residents and businesses of Mobile, Washington, Clarke, and Choctaw 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 June 30, 2017, the Organization held \$32,470 in their bank accounts that was not insured by the FDIC.

Note 14 – Operating leases

The Organization has equipment leases that expire in November 2022. Future minimum rental payments for the years ended June 30 are as follows:

2018	\$ 12,690
2019	10,152
2020	10,152
2021	10,152
2022	3,384
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Total	\$ 46,530