



**United Way of Southwest
Alabama, Inc.**

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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REPORT





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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Southwest Alabama, Inc. as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of United Way of Southwest Alabama, Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 Southwest Alabama, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 Southwest Alabama, 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 Southwest Alabama, 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.

Report on Summarized Comparative Information

We have previously audited United Way of Southwest Alabama, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of receipts and disbursements for the Mobile Area Alabama State Employees' Combined Charitable Campaign is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

*Mobile, Alabama
November 22, 2021*



FINANCIAL STATEMENTS



United Way of Southwest Alabama, Inc.
Statements of Financial Position

<i>June 30,</i>	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 266,366	\$ 528,620
Certificates of deposit	198,487	197,798
Pledges receivable - current campaign, net	1,037,004	1,062,098
Pledges receivable - prior campaigns, net	16,877	-
Accounts receivable - other	17,845	14,906
Prepaid expenses	15,444	22,217
Total current assets	1,552,023	1,825,639
Non-current assets		
Investments	1,077,365	881,443
Property and equipment, net	124,557	134,115
Total non-current assets	1,201,922	1,015,558
Total assets	\$ 2,753,945	\$ 2,841,197
Liabilities and Net Assets		
Liabilities		
Allocations payable	\$ 18,367	\$ 147,529
Designations payable	303,515	524,075
Accounts payable and accrued expenses	38,164	45,173
Total liabilities	360,046	716,777
Net assets		
Without donor restrictions	1,197,272	840,571
With donor restrictions	1,196,627	1,283,849
Total net assets	2,393,899	2,124,420
Total liabilities and net assets	\$ 2,753,945	\$ 2,841,197

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

United Way of Southwest Alabama, Inc.
Statements of Activities (With Prior Year Summarized Information)

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Summarized Total
Public support and revenue				
Gross campaign results				
Campaign contributions - current year	\$ -	\$ 2,943,121	\$ 2,943,121	\$ 3,058,621
Donor designations	-	(303,515)	(303,515)	(442,730)
Allowance for uncollectibles	-	(166,150)	(166,150)	(143,581)
Net campaign revenue - current year	-	2,473,456	2,473,456	2,472,310
Release from restriction - satisfaction of timing restrictions				
Campaign contributions - prior year	3,123,768	(3,123,768)	-	-
Donor designations	(422,730)	422,730	-	-
Allowance for uncollectibles	(143,581)	143,581	-	-
Net campaign revenue - prior year	2,557,457	(2,557,457)	-	-
Recovery of pledge contributions in excess of prior allowance	114,981	-	114,981	85,942
Net campaign results	2,672,438	(84,001)	2,588,437	2,558,252
Other contributions	237,350	-	237,350	304,462
In-kind revenue	146,119	-	146,119	122,836
Investment income, net	201,870	-	201,870	6,127
Management fee income	2,000	-	2,000	3,000
Service fee revenue	-	88,216	88,216	93,049
Other public support	266,949	-	266,949	333,538
	3,526,726	4,215	3,530,941	3,421,264
Other releases from restriction - satisfaction of program expenditure	91,437	(91,437)	-	-
Total public support and revenue	3,618,163	(87,222)	3,530,941	3,421,264

(Continued)

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

United Way of Southwest Alabama, Inc.
Statements of Activities (With Prior Year Summarized Information)
(Continued)

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Summarized Total
Expenses				
Program services				
Funds allocated to partners	2,125,585	-	2,125,585	2,601,222
Less allocations funded through designations	(303,515)	-	(303,515)	(524,075)
Total allocations	1,822,070	-	1,822,070	2,077,147
Special designations to partners	101,508	-	101,508	125,553
Community and program services provided	836,108	-	836,108	781,371
Total program services	2,759,686	-	2,759,686	2,984,071
Supporting services				
Organizational administration	91,259	-	91,259	102,744
Fundraising	410,517	-	410,517	328,835
Total supporting services	501,776	-	501,776	431,579
Total expenses	3,261,462	-	3,261,462	3,415,650
Change in net assets	356,701	(87,222)	269,479	5,614
Net assets				
Beginning of year	840,571	1,283,849	2,124,420	2,118,806
End of year	\$ 1,197,272	\$ 1,196,627	\$ 2,393,899	\$ 2,124,420

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

United Way of Southwest Alabama, Inc.
Statements of Functional Expenses (With Prior Year Summarized Information)

For the year ended June 30, 2021

	Program Services	Organizational Administration	Fundraising	2021 Total	2020 Summarized Total
Funds allocated to partners	\$ 2,125,585	\$ -	\$ -	\$ 2,125,585	\$ 2,601,222
Less allocations funded through designations	(303,515)	-	-	(303,515)	(524,075)
Subtotals	1,822,070	-	-	1,822,070	2,077,147
Special Designations, Community and Program	101,508	-	-	101,508	125,553
Salaries	334,925	43,015	189,537	567,477	566,670
Payroll taxes	24,488	3,145	13,858	41,491	39,826
Employee benefits	83,632	10,741	47,328	141,701	145,278
Agency relations	125,567	-	5,588	131,155	154,754
Advertising	82,303	10,570	46,576	139,449	34,873
Board/staff development	2,093	269	1,185	3,547	3,687
Contract labor	33,639	4,320	19,036	56,995	36,875
Contract services	-	-	2,824	2,824	75
Dues and subscriptions	4,638	596	2,625	7,859	6,449
Depreciation	7,514	965	4,252	12,731	12,996
Insurance	8,750	1,124	4,952	14,826	10,890
Interest expense and bank fees	6,278	806	3,553	10,637	9,628
Occupancy	24,278	3,118	13,739	41,135	38,024
Postage and shipping	6,468	831	3,660	10,959	5,081
Printing	9,300	1,195	5,264	15,759	11,027
Repairs and maintenance	144	19	82	245	534
Professional fees	16,192	2,080	9,164	27,436	28,496
Special events	18,373	2,360	10,398	31,131	37,267
Supplies	5,371	690	3,039	9,100	4,273
Telephone	9,009	1,157	5,098	15,264	13,630
Travel	7,744	995	4,383	13,122	17,421
United Way Worldwide dues	25,402	3,263	14,376	43,041	35,196
Subtotals	836,108	91,259	410,517	1,337,884	1,212,950
Total expenses	\$ 2,759,686	\$ 91,259	\$ 410,517	\$ 3,261,462	\$ 3,415,650

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

United Way of Southwest Alabama, Inc. Statements of Cash Flows

<i>Year Ended June 30,</i>	2021	2020
Operating Activities		
Change in net assets	\$ 269,479	\$ 5,614
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,731	12,996
Net realized (gain) on investments	(5,226)	(4,336)
Net unrealized (gain) loss on investments	(184,538)	18,992
Provision for uncollectibles	166,150	143,581
(Increase) decrease in:		
Pledges receivable	(157,933)	75,721
Accounts receivable - other	(2,939)	(3,028)
Prepaid expenses	6,773	(1,402)
Increase (decrease) in:		
Allocations payable	(129,162)	8,068
Designations payable	(220,560)	101,457
Accounts payable and accrued expenses	(7,009)	(106,862)
Net cash provided by (used in) operating activities	(252,234)	250,801
Investing Activities		
Purchase of investments	(319,720)	(398,032)
Proceeds from sale of investments	312,873	427,885
Purchases of property and equipment	(3,173)	(1,387)
Net cash provided by (used in) investing activities	(10,020)	28,466
Financing Activities		
Net proceeds (payments) on line of credit	-	(217,000)
Net cash provided by (used in) financing activities	-	(217,000)
Net change in cash and cash equivalents	(262,254)	62,267
Cash and cash equivalents at beginning of year	528,620	466,353
Cash and cash equivalents at end of year	\$ 266,366	\$ 528,620
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ 5,371

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

United Way of Southwest Alabama, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

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 nonprofit 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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

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 comply with the United Way Worldwide's *Implementation Requirements for Membership Standard M – Cost Deduction Requirements*.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information 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 June 30, 2020, from which the summarized information was derived.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Pledges Receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one fiscal year and are stated at unpaid balances, less an allowance for doubtful accounts. 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, and special designations. It is the Organization's policy to charge off uncollectible pledge receivables when management determines the receivable will not be collected.

Investments

Investments in certificates of deposit are recorded at cost plus accrued interest. All investments are expected to be held to maturity.

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 in the accompanying Statement of Activities.

The Board-Designated Reserve Funds (BDRF) are invested at Hancock Whitney 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.

Donor-restricted net assets include the Alabama Power Endowment fund which is invested in a total-return 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 of \$500 or more 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. Depreciation is computed using the straight-line method.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Contributions are recorded as support with donor restrictions or without donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 with donor restrictions in the year of the campaign and are transferred to without donor restrictions 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 without donor restrictions since the restrictions are met in the same year.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. Noncash donations in the amount of \$146,119 and \$122,836 were received by the Organization for the years ended June 30, 2021 and 2020, respectively.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising and other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Expenditures that can be directly identified with a function are so classified. Payroll, occupancy, and related expenditures are distributed on a percentage basis determined from estimates of time and effort developed in preceding years that are adjusted for significant changes affecting a particular function.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$139,449 and \$34,873 for the years ended June 30, 2021 and 2020, respectively.

Income 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.

The Organization utilizes 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, 2021 and 2020, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 22, 2021. Their evaluation revealed no significant matters to be recorded or disclosed. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Accounting Guidance Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)

<i>June 30,</i>	2021	2020
Total assets at year end	\$ 2,753,945	\$ 2,841,197
Less non-financial assets		
Prepaid expenses and other assets	(15,444)	(22,217)
Property and equipment, net	(124,557)	(134,115)
Agency designations included in pledges receivable - current campaign	(303,515)	(442,730)
Financial assets at year-end	2,310,429	2,242,135
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(159,623)	(221,751)
Designated by Board with purpose restrictions	(12,976)	(33,876)
Reserve Fund for use with Board approval	(939,300)	(765,817)
Financial assets available to meet cash needs for general expenditure within one year	\$ 1,198,530	\$ 1,220,691

Additionally, investments are maintained in mutual funds which can be liquidated on a short-term basis. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Net assets that are reported with donor restrictions for time purposes are all considered available within one year as the time restriction expires within one year.

Note 4: CERTIFICATES OF DEPOSIT

Certificates of deposit are valued at original cost at purchase plus accrued interest. A detail of certificates of deposit is as follows:

<i>June 30,</i>	2021	2020
The First, Hattiesburg, Mississippi	\$ 85,252	\$ 84,997
SmartBank, Pigeon Forge, Tennessee	33,969	33,851
BancorpSouth Bank, Tupelo, Mississippi	43,524	43,374
First US Bank, Thomasville, Alabama	35,742	35,576
Total	\$ 198,487	\$ 197,798

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 5: PLEDGES RECEIVABLE- CURRENT CAMPAIGN

The pledges receivable are due in one year and include the following unconditional promises to give for the 2021 and 2020 campaigns, respectively:

<i>June 30,</i>	2021	2020
Undesignated		
County campaign	\$ 2,558,813	\$ 2,414,065
Alabama state employee campaign	4,446	5,488
Total undesignated	2,563,259	2,419,553
Designated		
County campaign	321,797	560,930
Alabama state employee campaign	64,800	78,139
Total designated	386,597	639,069
Gross unconditional pledges	2,949,856	3,058,622
Cash collected during campaign	(1,746,702)	(1,852,943)
Pledges receivable, gross	1,203,154	1,205,679
Less allowance for uncollectible pledges	(166,150)	(143,581)
Pledges receivable, net of allowance for uncollectible pledges	\$ 1,037,004	\$ 1,062,098

Pledge write-offs totaled \$29,220 and \$3,769 for 2021 and 2020, respectively.

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 6: INVESTMENTS

The United Way of Southwest Alabama, Inc. has an investment funds held at the Community Foundation of South Alabama (CFSA) and a board-designated reserve fund (BDRF) held with Hancock Whitney Bank.

Changes in net investments are as follows:

<i>Year Ended June 30,</i>	2021		2020	
	Board- Designated Reserve Fund	Alabama Power Endowment	Totals	Totals
Net investments, beginning of year	\$ 765,817	\$ 115,626	\$ 881,443	\$ 929,733
Investment income, net	19,654	2,125	21,779	26,107
Net unrealized gain (loss)	162,642	21,896	184,538	(18,992)
Net realized gain	-	5,226	5,226	4,336
Withdrawals, net	-	(5,250)	(5,250)	(50,052)
Management fees	(8,813)	(1,558)	(10,371)	(9,689)
Net investments, end of year	\$ 939,300	\$ 138,065	\$ 1,077,365	\$ 881,443

The Organization also has an Endowed Annual Gift Fund that has not been included as an asset 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. The fund balance as of June 30, 2021 and 2020 totaled \$310,674 and \$265,696, respectively. Grants of \$12,880 and \$12,750 are included in campaign contribution revenue for the years ended June 30, 2021 and 2020, respectively.

Additionally, the Organization is the beneficiary of a charitable trust. The Trust has not been included as an asset of the Organization as it has no control of these funds. The Trust pays an annual distribution of \$6,320 which is recorded as campaign contribution revenue when received and the balance totaled \$179,635 and \$159,851 as of June 30, 2021 and 2020, respectively.

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<i>June 30,</i>	Estimated Useful Lives (in years)	2021	2020
Parking lot - Joachim	10	\$ 49,017	\$ 49,017
Building and improvements	7 - 40	477,481	477,481
Furniture and fixtures	5 - 18	87,717	87,717
Computer equipment	3 - 10	216,444	213,270
		830,659	827,485
Less accumulated depreciation		706,102	693,370
Property and equipment, net		\$ 124,557	\$ 134,115

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$12,731 and \$12,996, respectively.

Note 8: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	2021	2020
Undesignated	\$ 244,996	\$ 40,878
Board Designated		
Reserve fund	939,300	765,817
Specific program expense	12,976	33,876
Total net assets without donor restrictions	\$ 1,197,272	\$ 840,571

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	2021	2020
Purpose restricted		
Endowments	\$ 138,065	\$ 115,626
Specific program expense	21,558	106,125
Time restricted	1,037,004	1,062,098
Total net assets with donor restrictions	\$ 1,196,627	\$ 1,283,849

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 9: ANNUAL CAMPAIGN

The annual fundraising campaign is conducted to raise support to invest in community program services and strategic initiatives. Each year the Organization reports to the public the total estimated annual campaign funds raised. Actual results may differ from estimated amounts publicly reported due to timing differences on multi-year pledges and receipts for future campaigns, among other things. The calendar year 2021 and 2020 commitments to programs and agencies are based on the results of the fall and winter 2020 and 2019 campaigns, and are reflected as allocations in the statement of activities for the years ended June 30, 2021 and 2020, respectively. Amounts received in 2021 and 2020 for donor-designated gifts to others total \$303,515 and \$524,075, respectively.

Note 10: ENDOWMENTS

The Organization's endowment consists of the Alabama Power Endowment Fund established to provide current income and long-term financial support of the annual campaigns. The endowment is restricted by the donor. As required by generally accepted accounting principles, net assets associated with the endowment fund, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the State of Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 that is not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect 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 investment policies of the Organization.

Investment Return Objectives, Risk Parameters and Strategies. The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets. Those policies 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 an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 10: ENDOWMENTS (Continued)

Spending Policy. The Organization's expenditures from the fund is restricted by donor request at the time the funds are received and are adhered to as follows: The Alabama Power Endowment Fund is composed of funds set up to provide investment income for support of the annual campaigns and expenditures are limited to satisfy this purpose.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in net assets without donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020. Grants from the Alabama Power Endowment Fund of \$5,250 and \$0 are included in campaign contribution revenue for the years ended June 30, 2021 and 2020, respectively.

Note 11: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 11: FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Money Market funds: Valued at the daily closing price as reported by the fund. Money Market funds held by the Organization are open-end funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The money market funds held by the Organization are deemed to be actively traded.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Pooled accounts: Valued based on NAV per share or unit as a practical expedient as reported by the fund manager, multiplied by the number of shares or units held as of the measurement date. Accordingly, the NAV based investments have been excluded from the fair value hierarchy leveling.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Fair values of assets measured on a recurring basis are as follows:

<i>June 30, 2021</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 64,865	\$ 64,865	\$ -
Bonds	301,601	301,601	-
Equities	574,203	574,203	-
Total assets	\$ 940,669	\$ 940,669	\$ -

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 11: FAIR VALUE MEASUREMENTS (Continued)

<i>June 30, 2020</i>	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 26,734	\$ 26,734	
Bonds	280,625	280,625	-
Equities	459,553	459,553	-
Total assets	\$ 766,912	\$ 766,912	\$ -

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended June 30, 2021 there were no significant transfers in or out of Levels 1, 2 or 3.

Fair Value of Investments that Calculate Net Asset Value

The following table summarizes information related to the pooled account measured at fair value based on NAV per share as of June 31, 2021 and 2020, respectively. The pooled accounts are maintained by the Community Foundation of Mobile that hold investments in accordance with a stated set of fund objectives.

June 30	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
2021	\$ 136,696	None	Daily	None
2020	\$ 114,531	None	Daily	None

Note 12: CONCENTRATIONS OF CREDIT RISK

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.

United Way of Southwest Alabama, Inc. Notes to Financial Statements (Continued)

Note 12: CONCENTRATIONS OF CREDIT RISK (Continued)

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, 2021 and 2020, the Organization has \$2,443 and \$227,048 in uninsured cash account balances.

Note 13: COMMITMENTS

The Organization leases certain office equipment accounted for as operating leases. The leases expire in various years through 2025.

Minimum lease payments under non-cancellable operating leases are as follows:

2022	\$ 9,753
2023	6,419
2024	1,752
2025	1,460
<hr/>	
Total	\$ 19,384

Rent expense for the years ended June 30, 2021 and 2020 was \$11,664 and \$9,618, respectively.

Note 14: DEFINED CONTRIBUTION 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 \$40,825 and \$40,909 for the years ended June 30, 2021 and 2020, respectively and are included in employee benefits.

Note 15: RELATED-PARTY TRANSACTIONS

Members of the Board of Trustees elect members of the Board of Trustees of the Gordon Smith Center, Inc. (a nonprofit organization). The Organization pays expenses on behalf of the Gordon Smith Center, Inc., which are reimbursed. The Organization received \$2,000 of management fee income for the years ended June 30, 2021 and 2020.

United Way of Southwest Alabama, Inc.
Notes to Financial Statements (Continued)

Note 16: PAYCHECK PROTECTION PROGRAM

In April 2020, in response to the global pandemic, the Organization applied for and received a \$109,000 loan through the Paycheck Protection Program under the CARES Act. The Organization applied for forgiveness of the entire debt and recorded the amount as contribution revenue during 2020. In November 2020, the Organization received notice that the \$109,000 and related interest had been forgiven.

Note 17: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, broad domestic and international stock market indices have declined and the Organization's fair value of investments has declined similarly. Such declines in the fair value of investments by the organization may materially and adversely impact the Organization's ability to achieve its investment objectives and therefore, its operational objectives. In addition, the extent to which these events will affect the amounts reported in future financial statements remains uncertain.



SUPPLEMENTARY INFORMATION



United Way of Southwest Alabama, Inc.
Schedule of Receipts and Disbursements for the Mobile Area Alabama State
Employees' Combined Charitable Campaign

<i>Year Ended June 30,</i>	2021	2020
Beginning cash	\$ 8,303	\$ 1,985
Receipts	68,107	99,693
Disbursements	(67,934)	(93,375)
Ending cash	\$ 8,476	\$ 8,303