

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

Financial Statements
and
Supplementary Information

for the years ended
June 30, 2020 and 2019

UNITED WAY OF SOUTHWEST ALABAMA, INC.

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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, 2020, 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 United Way of Southwest Alabama, Inc. as of June 30, 2020, 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.

Prior Period Financial Statements

The financial statements of the United Way of Southwest Alabama, Inc. as of June 30, 2019 were audited by other auditors whose report dated February 13, 2020, expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was performed 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 audits 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.

Carly Riggs & Ingram, L.L.C.

*Mobile, Alabama
February 10, 2021*

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Financial Position

June 30	2020	2019
Assets		
Cash and cash equivalents	\$ 528,620	\$ 466,353
Certificates of deposit	197,798	194,017
Pledges receivable - current campaign, net	1,062,098	1,281,400
Accounts receivable - other	14,906	11,878
Prepaid expenses	22,217	20,815
Investments, at market value	881,443	929,733
Property and equipment, net	134,115	145,724
Total assets	\$ 2,841,197	\$ 3,049,920
Liabilities and Net Assets		
Liabilities		
Line of credit	\$ -	\$ 217,000
Allocations payable	147,529	139,461
Designations payable	524,075	422,618
Accounts payable and accrued expenses	45,173	152,035
Total liabilities	716,777	931,114
Net assets		
Without donor restrictions	840,571	694,540
With donor restrictions	1,283,849	1,424,266
Total net assets	2,124,420	2,118,806
Total liabilities and net assets	\$ 2,841,197	\$ 3,049,920

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities

Year Ended June 30

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Totals	Comparative Totals Only
Public support and revenue				
Gross campaign results				
Campaign contributions - current year	-	3,058,621	\$ 3,058,621	\$ 3,047,853
Donor designations	-	(442,730)	(442,730)	(422,618)
Allowance for uncollectibles	-	(143,581)	(143,581)	(81,375)
Net campaign revenue - current year	-	2,472,310	2,472,310	2,543,860
Release from restriction - satisfaction of timing restrictions				
Campaign contributions - prior year	3,195,605	(3,195,605)	-	-
Donor designations	(422,618)	422,618	-	-
Allowance for uncollectibles	(81,375)	81,375	-	-
Net campaign revenue - prior year	2,691,612	(2,691,612)	-	-
Recovery of pledge contributions in excess of prior allowance	85,942	-	85,942	113,102
Net campaign results	2,777,554	(219,302)	2,558,252	2,656,962
Other contributions	304,462	-	304,462	340,512
In-kind revenue	122,836	-	122,836	6,250
Investment income	2,765	3,362	6,127	32,229
Management fee income	3,000	-	3,000	5,000
Service fee revenue	-	93,049	93,049	65,735
Other public support	252,193	81,345	333,538	94,625
	3,462,810	(41,546)	3,421,264	3,201,313
Other releases from restriction - satisfaction of program expenditure	98,871	(98,871)	-	-
Total public support, revenue, and releases	3,561,681	(140,417)	3,421,264	3,201,313

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities (continued)

Year Ended June 30	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Totals	Comparative Totals Only
Expenses				
Program services				
Funds allocated to partners	2,601,222	-	2,601,222	1,976,155
Less allocations funded through designations	(524,075)	-	(524,075)	(422,618)
Total allocations	2,077,147	-	2,077,147	1,553,537
Special designations to partners	125,553	-	125,553	171,444
Community and program services provided	781,371	-	781,371	748,262
Total program services	2,984,071	-	2,984,071	2,473,243
Supporting services				
Organizational administration	102,744	-	102,744	134,250
Fund-raising	328,835	-	328,835	320,925
Total supporting services	431,579	-	431,579	455,175
Total expenses	3,415,650	-	3,415,650	2,928,418
Change in net assets	146,031	(140,417)	5,614	272,895
Net assets				
Beginning of year	694,540	1,424,266	2,118,806	1,845,911
End of year	\$ 840,571	\$ 1,283,849	\$ 2,124,420	\$ 2,118,806

See notes to financial statements

Statement of Functional Expenses

Year Ended June 30	2020 Program Services		
	Allocations	Special Designations, Community and Program	Total Program Services
Funds allocated to partners	\$ 2,601,222	\$ 125,553	\$ 2,726,775
Less allocations funded through designations	(524,075)	-	(524,075)
Subtotals	2,077,147	125,553	2,202,700
Salaries	-	335,582	335,582
Payroll taxes	-	23,585	23,585
Employee benefits	-	86,034	86,034
Totals	-	445,201	445,201
Agency relations	-	154,754	154,754
Advertising	-	20,652	20,652
Board/staff development	-	2,183	2,183
Contract labor	-	21,837	21,837
Contract services	-	-	-
Dues and subscriptions	-	3,819	3,819
Depreciation	-	7,696	7,696
Insurance	-	6,449	6,449
Interest expense and bank fees	-	5,702	5,702
Occupancy	-	22,518	22,518
Postage and shipping	-	3,009	3,009
Printing	-	6,530	6,530
Repairs and maintenance	-	316	316
Professional fees	-	16,875	16,875
Special events	-	22,069	22,069
Supplies	-	2,530	2,530
Telephone	-	8,072	8,072
Travel	-	10,316	10,316
United Way Worldwide dues	-	20,843	20,843
Subtotals	-	781,371	781,371
Total functional expenses	\$ 2,077,147	\$ 906,924	\$ 2,984,071

UNITED WAY OF SOUTHWEST ALABAMA, INC.

2020 Supporting Services				2019	
Organizational Administration	Fund- Raising	Total Supporting Services	Total Expenses	Comparative Totals Only	
\$ -	\$ -	\$ -	\$ 2,726,775	\$ 2,147,599	
-	-	-	(524,075)	(422,618)	
-	-	-	2,202,700	1,724,981	
55,024	176,064	231,088	566,670	543,958	
3,867	12,374	16,241	39,826	42,757	
14,106	45,138	59,244	145,278	139,194	
72,997	233,576	306,573	751,774	725,909	
-	-	-	154,754	124,418	
3,386	10,835	14,221	34,873	5,347	
358	1,146	1,504	3,687	7,675	
3,581	11,457	15,038	36,875	36,528	
-	75	75	75	9,320	
626	2,004	2,630	6,449	11,393	
1,262	4,038	5,300	12,996	15,681	
1,057	3,384	4,441	10,890	11,073	
935	2,991	3,926	9,628	19,132	
3,692	11,814	15,506	38,024	50,085	
493	1,579	2,072	5,081	7,921	
1,071	3,426	4,497	11,027	12,349	
52	166	218	534	269	
2,767	8,854	11,621	28,496	47,407	
3,619	11,579	15,198	37,267	13,607	
415	1,328	1,743	4,273	24,856	
1,323	4,235	5,558	13,630	13,799	
1,692	5,413	7,105	17,421	29,746	
3,418	10,935	14,353	35,196	36,922	
102,744	328,835	431,579	1,212,950	1,203,437	
\$ 102,744	\$ 328,835	\$ 431,579	\$ 3,415,650	\$ 2,928,418	

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Cash Flows

Year Ended June 30	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 5,614	\$ 272,895
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	12,996	15,681
Net realized (gain) on investments	(4,336)	(1,387)
Net unrealized loss (gain) on investments	18,992	(13,708)
Provision for uncollectibles	143,581	81,375
(Increase) decrease in:		
Pledges receivable	75,721	(257,879)
Accounts receivable - other	(3,028)	(3,085)
Prepaid expenses	(1,402)	2,492
Increase (decrease) in:		
Allocations payable	8,068	(18,481)
Designations payable	101,457	(46,615)
Accounts payable and accrued expenses	(106,862)	87,659
Net cash provided by operating activities	250,801	118,947
Cash flows from investing activities		
Purchase of investments	(398,032)	(248,062)
Proceeds from sale of investments	427,885	231,036
Purchases of property and equipment	(1,387)	(17,639)
Net cash provided by (used in) investing activities	28,466	(34,665)
Cash flows from financing activities		
Net proceeds (payments) on line of credit	(217,000)	67,000
Net cash provided by (used in) financing activities	(217,000)	67,000
Net increase in cash and cash equivalents	62,267	151,282
Cash and cash equivalents		
Beginning of year	466,353	315,071
End of year	\$ 528,620	\$ 466,353
Supplemental disclosures:		
In-kind revenue and corresponding expense	\$ 122,836	\$ 6,250
Interest paid	\$ 5,371	\$ 11,230

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements
June 30, 2020 and 2019

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 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***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 two classes: with donor restrictions and without donor restrictions.

Measure of operations

The Organization's operating revenues in excess of expenditures include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities (when applicable). The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions designated for long-term investment according to the Organization's spending policy, which is detailed in Note 14. The measure of operations excludes investment return on board-designated reserve funds.

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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 2 – Summary of significant accounting policies (continued)***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 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 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 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 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. 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, 2020 and 2019

Note 2 – Summary of significant accounting policies (continued)***Adoption of FASB Accounting Standards Update 2014-09***

The Organization has implemented FASB Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers* and subsequent clarifications (ASUs) effective July 1, 2019. The standard prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount and timing of revenue and cash flows. The adoption of the new standard update does not have a material effect on the Organization's financial statements.

Adoption of FASB Accounting Standards Update 2018-08

The Organization has implemented FASB Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and subsequent clarification (ASU's) effective July 1, 2019. The standard is intended to assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance and determining whether a contribution is conditional. The adoption of the new standard update does not have a material effect on the Organization's financial statements.

Revenue recognition – contributions

Contributions received 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)
June 30, 2020 and 2019

Note 2 – Summary of significant accounting policies (continued)***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, and special designations.

Donated property and services

The Organization recognizes donated property and other intangible gifts-in-kind such as advertising and personal protective equipment 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.

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 were \$34,873 and \$5,347 for the years ended June 30, 2020 and 2019, respectively.

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*.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 2 – Summary of significant accounting policies (continued)

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, 2020, 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 tax years before 2017.

Subsequent events

Management's evaluation of subsequent events through February 10, 2021, which is the date the financial statements were available to be issued, revealed no significant matters to be recorded or disclosed other than disclosed in Note 15 – Payroll Protection Program.

Note 3 – Certificates of deposit

A detail of certificates of deposit is as follows:

June 30	2020	2019
The First, Hattiesburg, Mississippi	\$ 84,997	\$ 82,909
SmartBank, Pigeon Forge, Tennessee	33,851	33,455
BancorpSouth Bank, Tupelo, Mississippi	43,374	42,989
First US Bank, Thomasville, Alabama	35,576	34,664
Total	\$ 197,798	\$ 194,017

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 4 – Pledges Receivable

The pledges receivable are due in one year and include the following unconditional promises to give for the 2019 and 2018 campaigns, respectively:

June 30	2020	2019
Undesignated		
County campaign	2,414,065	2,549,947
Alabama state employee campaign	5,488	6,553
Total undesignated	2,419,553	2,556,500
Designated		
County campaign	560,930	423,035
Alabama state employee campaign	78,139	68,318
Total designated	639,069	491,353
Gross unconditional pledges	3,058,622	3,047,853
Cash collected during campaign	(1,852,943)	(1,685,078)
Pledges receivable, gross	1,205,679	1,362,775
Less allowance for uncollectible pledges	(143,581)	(81,375)
Pledges receivable, net of allowance for uncollectible pledges	\$ 1,062,098	\$ 1,281,400

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 5 – Investments

The United Way of Southwest Alabama, Inc. has two investment funds at the Community Foundation of South Alabama (CFSA) and a board-designated reserve fund (BDRF) with Hancock Whitney Bank during 2020.

Changes in net investments are as follows:

Year Ended June 30	2020		2019	
	Board- Designated	With donor restrictions	Totals	Totals
Net investments, beginning of year	\$ 694,540	\$ 235,193	\$ 929,733	\$ 899,068
Investment income, net	23,995	2,112	26,107	24,974
Net unrealized appreciation (depreciation)	(17,294)	(1,698)	(18,992)	13,708
Net realized gain	-	4,336	4,336	1,387
Withdrawals, net	(50,052)	-	(50,052)	-
Management fees	(8,301)	(1,388)	(9,689)	(9,404)
Net investments, end of year	642,888	238,555	881,443	929,733
Net releases	122,929	(122,929)	-	-
Balance, end of year	<u>\$ 765,817</u>	<u>\$ 115,626</u>	<u>\$ 881,443</u>	<u>\$ 929,733</u>

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 totaled \$265,696 and \$267,090 as of June 30, 2020 and 2019, respectively.

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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 5 – Investments (continued)

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 are as follows:

June 30, 2020	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	-
Pooled Funds	114,531	-	114,531
Certificate of deposit	197,798	-	197,798
Total assets	\$ 1,079,241	\$ 766,912	\$ 312,329

June 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 23,466	\$ 23,466	\$ -
Bonds	280,456	280,456	-
Equities	464,597	464,597	-
Pooled funds	111,179	-	111,179
Certificate of deposit	244,052	-	244,052
Total assets	\$ 1,123,750	\$ 768,519	\$ 355,231

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 5 – Investments (continued)

All assets have been valued using a market approach and there have been no changes in valuation techniques and related inputs. The following schedule summarizes the investment return and its classification in the statement of activities:

Year Ended June 30	2020	2019
Interest and dividend income	\$ 30,472	\$ 26,538
Net realized gains	4,336	1,387
Net unrealized appreciation (depreciation)	(18,992)	13,708
Management fees	(9,689)	(9,404)
Investment income, net	\$ 6,127	\$ 32,229

The United Way of Southwest Alabama, Inc. 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 which is recorded as revenue when received and the balance totaled \$159,851 and \$160,180 as of June 30, 2020 and 2019, respectively.

Note 6 – Property and equipment

Property and equipment consist of the following:

June 30	2020	2019
Parking lot - Joachim	\$ 49,017	\$ 49,017
Building and improvements	477,481	477,481
Furniture and fixtures	87,717	87,717
Computer equipment	213,270	211,883
	827,485	826,098
Less accumulated depreciation	693,370	680,374
Property and equipment, net	\$ 134,115	\$ 145,724

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 7 – Line of credit

The Organization had a revolving line of credit with Hancock Whitney Bank in the amount of \$250,000 which expired December 6, 2019. Interest expense totaled \$5,371 and \$11,230 for the years ended June 30, 2020 and 2019 respectively.

Note 8 – Restrictions on net assets

Net assets with donor restrictions are available for the following purposes or periods:

June 30	2020	2019
Subject to expenditure for specified purposes:		
Earnings on endowment to be used to fund approved grant proposals	\$ 55,626	\$ 52,264
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	106,125	30,602
Donor-restricted endowment fund for emergency funding requests	60,000	60,000
Subject to expenditure with timing restrictions:		
Campaign contributions for future years net of allocations and designations payable	1,062,098	1,281,400
Total	\$ 1,283,849	\$ 1,424,266

Note 9 – Board designated net assets without donor restrictions

As detailed in Note 5 the United Way of Southwest Alabama, Inc. has a board-designated reserve fund (BDRF) with Hancock Whitney Bank. The BDRF was funded with resources without donor restrictions; therefore, the income and unrealized appreciation/depreciation are recorded as net assets without donor restrictions.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 10 – Related party transactions

The Organization contracts with the State of Alabama to manage the Alabama State Employees' Charitable Campaign in five counties in Alabama. The Organization is reimbursed for campaign expenses related to the management of this campaign. Reimbursements due of \$5,259 and \$1,192 are included in pledges receivable as of June 30, 2020 and 2019, respectively.

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, 2020 and 2019.

Note 11 – 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 \$40,909 and \$31,684 for the years ended June 30, 2020 and 2019, respectively and are included in employee benefits.

Note 12 – 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, 2020, the Organization has \$227,048 in uninsured cash account balances.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 13 – Operating leases

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

2021	8,001
2022	8,001
2023	4,667
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Total	\$ 20,669

Note 14 – Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. 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.

June 30	2020	2019
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Financial assets at year-end	\$ 2,684,865	\$ 2,883,381
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions:		
Restricted to be maintained as an endowment	60,000	60,000
Restricted for specific program use	106,125	30,602
Board designations:		
Earnings on endowment for use with Board approval	55,626	52,264
Reserve Fund for use with Board approval	765,817	702,983
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Financial assets available to meet cash needs for general expenditure within one year	\$ 1,697,297	\$ 2,037,532

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)
June 30, 2020 and 2019

Note 15 - Uncertainty

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.

Note 16 – Payroll 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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Supplementary Information

Schedule of Receipts and Disbursements for the Mobile Area Alabama State Employees'
Combined Charitable Campaign

Year Ended June 30	2020	2019
Beginning cash	\$ 1,985	\$ 6,859
Receipts	99,693	46,355
Disbursements	(93,375)	(51,229)
Ending cash	\$ 8,303	\$ 1,985