



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

FINANCIAL STATEMENTS

June 30, 2022 and 2021

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, 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
February 27, 2023*



FINANCIAL STATEMENTS



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

<i>June 30,</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 221,095	\$ 266,366
Certificates of deposit	198,536	198,487
Pledges receivable - current campaign, net	946,806	1,037,004
Pledges receivable - prior campaigns, net	-	16,877
Accounts receivable - other	43,728	17,845
Prepaid expenses	23,679	15,444
Total current assets	1,433,844	1,552,023
Non-current assets		
Investments	965,990	1,077,365
Property and equipment, net	113,542	124,557
Total non-current assets	1,079,532	1,201,922
Total assets	\$ 2,513,376	\$ 2,753,945
Liabilities and Net Assets		
Current liabilities		
Allocations payable	\$ 14,419	\$ 18,367
Designations payable	282,890	303,515
Accounts payable and accrued expenses	112,955	38,164
Total current liabilities	410,264	360,046
Net assets		
Without donor restrictions	675,838	1,197,272
With donor restrictions	1,427,274	1,196,627
Total net assets	2,103,112	2,393,899
Total liabilities and net assets	\$ 2,513,376	\$ 2,753,945

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

United Way of Southwest Alabama, Inc.
Statements of Activities

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized Total
Public support and revenue				
Gross campaign results				
Campaign contributions - current year	\$ -	\$ 3,085,446	\$ 3,085,446	\$ 2,943,121
Donor designations	-	(282,890)	(282,890)	(303,515)
Allowance for uncollectibles	-	(156,810)	(156,810)	(166,150)
Net campaign revenue - current year	-	2,645,746	2,645,746	2,473,456
Release from restriction - satisfaction of timing restrictions				
Campaign contributions - prior year	2,943,121	(2,943,121)	-	-
Donor designations	(303,515)	303,515	-	-
Allowance for uncollectibles	(166,150)	166,150	-	-
Net campaign revenue - prior year	2,473,456	(2,473,456)	-	-
(Bad debt) recovery of pledge contributions in excess of prior allowance	(10,475)	-	(10,475)	114,981
Net campaign results	2,462,981	172,290	2,635,271	2,588,437
Other contributions	9,695	-	9,695	57,214
Special fundraising event revenue	273,153	-	273,153	282,747
Less cost of direct benefits to participants	(67,934)	-	(67,934)	(102,611)
Contributions of non-financial assets	3,867	-	3,867	146,119
Investment income (loss), net	(105,668)	-	(105,668)	201,870
Management fee income	-	2,000	2,000	2,000
Service fee revenue	1,490	-	1,490	88,216
Other public support	26,334	403,000	429,334	266,949
	2,603,918	577,290	3,181,208	3,530,941
Other releases from restriction - satisfaction of program restrictions	346,643	(346,643)	-	-
Total public support and revenue	2,950,561	230,647	3,181,208	3,530,941

(Continued)

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

United Way of Southwest Alabama, Inc.
Statements of Activities (Continued)

<i>For the years ended June 30,</i>	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized Total
Expenses				
<i>Program services</i>				
Funds allocated to partners	1,900,183	-	1,900,183	2,125,585
Less allocations funded through designations	(282,890)	-	(282,890)	(303,515)
Total allocations	1,617,293	-	1,617,293	1,822,070
Special designations to partners	455,217	-	455,217	101,508
Community and program services	914,996	-	914,996	836,108
Total program services	2,987,506	-	2,987,506	2,759,686
<i>Supporting services</i>				
Organizational administration	88,647	-	88,647	91,259
Fundraising	395,842	-	395,842	410,517
Total supporting services	484,489	-	484,489	501,776
Total expenses	3,471,995	-	3,471,995	3,261,462
Change in net assets	(521,434)	230,647	(290,787)	269,479
Net assets at beginning of year	1,197,272	1,196,627	2,393,899	2,124,420
Net assets at end of year	\$ 675,838	\$ 1,427,274	\$ 2,103,112	\$ 2,393,899

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

United Way of Southwest Alabama, Inc.
Statements of Functional Expenses

<i>For the years ended June 30,</i>	Programs Subtotal	Support Services		2022 Total	Summarized Total 2021
		Organizational Administration	Fundraising		
Funds allocated to partners	\$ 1,900,183	\$ -	\$ -	\$ 1,900,183	\$ 2,125,585
Less allocations funded through designations	(282,890)	-	-	(282,890)	(303,515)
Subtotals	1,617,293	-	-	1,617,293	1,822,070
Special designations to partners	455,217	-	-	455,217	101,508
Salaries	371,760	47,746	210,383	629,889	567,477
Payroll taxes	26,802	3,442	15,168	45,412	41,491
Employee benefits	92,252	11,848	52,207	156,307	141,701
Grants to others	224,771	-	-	224,771	131,155
Advertising	23,738	3,049	13,433	40,220	139,449
Board/staff development	4,042	519	2,287	6,848	3,547
Contract labor	12,476	1,602	7,060	21,138	56,995
Contract services	-	-	5,239	5,239	2,824
Dues and subscriptions	4,378	562	2,477	7,417	7,859
Depreciation	7,013	901	3,969	11,883	12,731
Insurance	10,037	1,289	5,680	17,006	14,826
Interest expense and bank fees	6,021	773	3,407	10,201	10,637
Occupancy	32,192	4,134	18,217	54,543	41,135
Postage and shipping	2,725	350	1,542	4,617	10,959
Printing	7,346	943	4,157	12,446	15,759
Repairs and maintenance	124	16	70	210	245
Professional fees	16,399	2,106	9,280	27,785	27,436
Special events	13,949	1,792	7,894	23,635	31,131
Supplies	6,996	899	3,960	11,855	9,100
Telephone	9,184	1,180	5,197	15,561	15,264
Travel	8,221	1,056	4,652	13,929	13,122
United Way Worldwide dues	34,570	4,440	19,563	58,573	43,041
Subtotals	914,996	88,647	395,842	1,399,485	1,337,884
Total expenses	\$ 2,987,506	\$ 88,647	\$ 395,842	\$ 3,471,995	\$ 3,261,462

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

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

<i>For the years ended June 30,</i>	2022	2021
Operating Activities		
Change in net assets	\$ (290,787)	\$ 269,479
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	11,883	12,731
Net realized (gain) on investments	(58,943)	(5,226)
Net unrealized (gain) loss on investments	200,088	(184,538)
Provision for uncollectibles	156,810	166,150
Change in operating assets and liabilities		
Pledges receivable	(49,735)	(157,933)
Accounts receivable - other	(25,883)	(2,939)
Prepaid expenses	(8,235)	6,773
Allocations payable	(3,948)	(129,162)
Designations payable	(20,625)	(220,560)
Accounts payable and accrued expenses	74,791	(7,009)
Net cash provided by (used in) operating activities	(14,584)	(252,234)
Investing Activities		
Purchase of investments	(256,497)	(319,720)
Proceeds from sale of investments	226,678	312,873
Purchases of property and equipment	(868)	(3,173)
Net cash provided by (used in) investing activities	(30,687)	(10,020)
Net change in cash and cash equivalents	(45,271)	(262,254)
Cash and cash equivalents at beginning of year	266,366	528,620
Cash and cash equivalents at end of year	\$ 221,095	\$ 266,366

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. Estimates that are particularly susceptible to significant change in the near term are related to allowance for uncollectible pledges, valuation of investments, and functional allocation of expenses.

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, 2021, from which the summarized information was derived.

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

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.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments

The Organization reports investments in certificates of deposit at cost plus accrued interest and all investments in equity securities with readily determinable fair values and all investments in debt securities 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. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

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

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, a portion of net assets as a quasi-endowment (an amount to be treated by management as if it were part of the donor restricted endowment) for an operating reserve for the purpose of securing the Organization's long-term financial viability.

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

Revenue from management fees and service fees is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Management fees are charged to a related party for management services performed by personnel of the Organization. Service fees are charged to as a fee for collecting and allocating donor pledges designated to partner agencies. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization conducts an annual golf tournament fundraiser in partnership with Austal USA, LLC (Austal). The portion of fees that relate to the commensurate value the participant receives in return is recognized when the related event is held and performance obligations are met. The performance obligation is delivery of the event. The event fee is set by Austal. Special event fees collected by the Organization in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

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.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, employee benefits, occupancy, and other expenses are allocated based 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

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the years ended June 30, 2022 and 2021, advertising costs totaled \$40,220 and \$139,449, respectively.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB 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, 2022 and 2021, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 27, 2023, and determined that there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This change in accounting principal did not have a material impact on the financial statements. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed non-financial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization applied this guidance beginning July 1, 2021 and updated disclosures as necessary (See Note 15: Contributions of Non-financial Assets).

Accounting Guidance Not Yet Adopted

In February 2016, the 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.

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

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents, certificates of deposits, and debt and equity securities 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, donor, or board-imposed restrictions.

<i>June 30,</i>	2022	2021
Total assets at year end	\$ 2,513,376	\$ 2,753,945
Less non-financial assets		
Prepaid expenses and other assets	(23,679)	(15,444)
Property and equipment, net	(113,542)	(124,557)
Agency designations included in pledges receivable - current campaign	(282,890)	(303,515)
Financial assets at year-end	2,093,265	2,310,429
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(480,468)	(159,623)
Designated by Board with purpose restrictions	-	(12,976)
Board-designated reserve funds without donor restrictions for quasi endowment	(675,838)	(939,300)
Financial assets available to meet cash needs for general expenditure within one year	\$ 936,959	\$ 1,198,530

The Organization is principally supported by pledges and contributions from its donors. The goal of the Organization is to maintain available financial assets to meet its obligations to its partner agencies. Those obligations are funded as pledges and contributions from donors are collected. In the event of unanticipated liquidity needs, the Organization has a line of credit with available borrowings of \$150,000. Additionally, investments can be liquidated on a short-term basis. 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.

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

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>	2022	2021
The First, Hattiesburg, Mississippi	\$ 85,445	\$ 85,252
SmartBank, Pigeon Forge, Tennessee	34,020	33,969
BancorpSouth Bank, Tupelo, Mississippi	43,590	43,524
First US Bank, Thomasville, Alabama	35,481	35,742
Total	\$ 198,536	\$ 198,487

Note 5: PLEDGES RECEIVABLE- CURRENT CAMPAIGN

The pledges receivable are due in one year and include the following unconditional promises to give for the 2022 and 2021 campaigns, respectively:

<i>June 30,</i>	2022	2021
Undesignated		
County campaign	\$ 2,610,713	\$ 2,558,813
Alabama state employee campaign	6,689	4,446
Total undesignated	2,617,402	2,563,259
Designated		
County campaign	252,672	321,797
Alabama state employee campaign	71,262	64,800
Total designated	323,934	386,597
Gross unconditional pledges	2,941,336	2,949,856
Cash collected during campaign	(1,837,720)	(1,746,702)
Pledges receivable, gross	1,103,616	1,203,154
Less allowance for uncollectible pledges	(156,810)	(166,150)
Pledges receivable, net of allowance for uncollectible pledges	\$ 946,806	\$ 1,037,004

Pledge write-offs totaled \$12,890 and \$29,220 for years ended June 30, 2022 and 2021, respectively.

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

Note 6: INVESTMENTS

Investments consist of the following:

<i>June 30, 2022</i>	Cost	Market Value
Money market funds	\$ 53,578	\$ 53,578
Corporate bonds	151,045	142,153
U.S. treasury securities	78,532	74,561
Exchange-traded funds	95,139	84,329
Common stocks	457,192	495,988
Pooled separate accounts	50,000	115,381
Total investments	\$ 885,486	\$ 965,990

<i>June 30, 2021</i>	Cost	Market Value
Money market funds	\$ 64,865	\$ 64,865
Corporate bonds	148,590	152,371
U.S. treasury securities	60,071	61,023
Exchange-traded funds	89,726	88,207
Common stocks	411,224	574,203
Pooled separate accounts	50,000	136,696
Total investments	\$ 824,476	\$ 1,077,365

Note 7: PROPERTY AND EQUIPMENT

The components of property and equipment at June 30, 2022 and 2021, are as follows:

	Estimated Useful Lives (in years)	2022	2021
Parking lot - Joachim	10	\$ 49,017	\$ 49,017
Building and improvements	7 - 40	477,481	477,481
Furniture and fixtures	5 - 18	88,585	87,717
Computer equipment	3 - 10	216,444	216,444
		831,527	830,659
Less accumulated depreciation		717,985	706,102
Property and equipment, net		\$ 113,542	\$ 124,557

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$11,883 and \$12,731, respectively.

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

Note 8: LINE OF CREDIT

On February 9, 2022, the Organization entered into a line of credit agreement with Hancock Whitney Bank, to be renewed annually. The line is secured by the Organization's securities and investments account held at Hancock Whitney Bank. Available borrowings related to the agreement are \$150,000, with an interest rate of the lender's prime rate (4.75% as of September 30, 2022). The credit line expired February 8, 2023, and is in the process of being renewed. The outstanding balance was \$0 as of June 30, 2022.

Note 9: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>June 30,</i>	2022	2021
Undesignated	\$ -	\$ 244,996
Board Designated		
Reserve fund	675,838	939,300
Specific program expense	-	12,976
Total net assets without donor restrictions	\$ 675,838	\$ 1,197,272

A summary of net assets with donor restrictions follows:

<i>June 30,</i>	2022	2021
Time restricted	\$ 946,806	\$ 1,037,004
Purpose restricted		
Endowments	116,611	138,065
Specific program expense	363,857	21,558
Total net assets with donor restrictions	\$ 1,427,274	\$ 1,196,627

A summary of the release of donor restrictions follows:

<i>For the years ended June 30,</i>	2022	2021
Time restrictions	\$ 2,473,456	\$ 2,557,457
Purpose restrictions		
Specific program expense	346,643	91,437
Total net assets released from donor restrictions	\$ 2,820,099	\$ 2,648,894

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

Note 10: REVENUE

The Organization recognizes revenue over time for its management fees and at a point in time for service fees and special fundraising events. As of June 30, 2022 and 2021, respectively, there are no contract assets and no performance obligations to be satisfied. The performance obligations are based upon the completion of contract service terms.

The Organization's method of recognizing revenue is the input method for performance obligations to be utilized over time.

Note 11: 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 2022 and 2021 commitments to programs and agencies are based on the results of the fall and winter 2021 and 2020 campaigns, and are reflected as allocations in the statement of activities for the years ended June 30, 2022 and 2021, respectively. Amounts received in 2022 and 2021 for donor-designated gifts to others total \$282,890 and \$303,515, respectively.

Note 12: 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.

Absent explicit donor stipulations to the contrary, the Board of Directors of 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. 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.

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

Note 12: ENDOWMENTS (Continued)

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.

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 (CFSA). The income of the endowment will be used as the need might dictate to fund approved grant proposals.

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.

Spending Policy. The Organization's expenditures from the fund are 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, 2022 and 2021.

Endowment net asset composition by type of fund consists of the following:

<i>June 30,</i>	2022	2021
Original donor-restricted gifts in perpetuity	\$ 60,000	\$ 60,000
Accumulated investment gains	56,611	78,065
Board-designated reserve funds without donor restrictions for quasi endowment	675,838	939,300
Total endowment funds	\$ 792,449	\$ 1,077,365

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

Note 12: ENDOWMENTS (Continued)

Changes in endowment net assets consists of the following for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions	2022 Total Endowment Net Assets	2021 Summarized Total Endowment Net Assets
Endowment net assets - July 1,	\$ 939,300	\$ 138,065	\$ 1,077,365	\$ 881,443
Investment income, net	44,208	1,922	46,130	21,779
Net appreciation (depreciation)	(125,119)	(16,025)	(141,144)	189,764
Withdrawals, net	(9)	(5,660)	(5,669)	(5,250)
Management fees	(9,000)	(1,691)	(10,691)	(10,371)
Amounts available for expenditure	(173,542)	-	(173,542)	-
Endowment net assets - June 30,	\$ 675,838	\$ 116,611	\$ 792,449	\$ 1,077,365

Grants from the Alabama Power Endowment Fund of \$5,660 and \$5,250 are included in campaign contribution revenue for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 totaled \$266,751 and \$310,674, respectively. Grants of \$13,410 and \$12,880 are included in campaign contribution revenue for the years ended June 30, 2022 and 2021, respectively.

Additionally, the Organization is the beneficiary of a charitable trust. The Trust balance totaled \$141,077 and \$179,635 as of June 30, 2022 and 2021, respectively, 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.

Note 13: 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.

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

Note 13: FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2022 and 2021.

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.

Corporate bonds and U.S treasury securities: 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.

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

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

Pooled accounts: Valued at net asset value (NAV) of units held. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liability. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Accordingly, these NAV based investments have been excluded from the fair value hierarchy leveling.

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

Note 13: FAIR VALUE MEASUREMENTS (Continued)

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.

Assets measured at fair value on a recurring basis, are summarized for the years ended June 30, 2022 and 2021:

June 30, 2022	Level 1	Level 2	Level 3	Total
Money market fund	\$ 53,578	\$ -	\$ -	\$ 53,578
Corporate bonds	142,153	-	-	142,153
U.S. treasury securities	74,561			74,561
Exchange-traded funds	84,329			84,329
Common stocks	495,988	-	-	495,988
	850,609	-	-	850,609

Pooled separate accounts (A) 115,381

Total investments at fair value \$ 850,609 \$ - \$ - \$ 965,990

June 30, 2021	Level 1	Level 2	Level 3	Total
Money market fund	\$ 64,865	\$ -	\$ -	\$ 64,865
Corporate bonds	152,371	-	-	152,371
U.S. treasury securities	61,023	-	-	61,023
Exchange-traded funds	88,207	-	-	88,207
Common stocks	574,203	-	-	574,203
	940,669	-	-	940,669

Pooled separate accounts (A) 136,696

Total investments at fair value \$ 940,669 \$ - \$ - \$ 1,077,365

(A) Investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statements of Financial Position.

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

Note 13: FAIR VALUE MEASUREMENTS (Continued)

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, 2022 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 30, 2022 and 2021, respectively. The pooled accounts are maintained by the CFSA that hold investments in accordance with a stated set of fund objectives.

Year-end	Fair Value	Unfunded Commitments	Redemption Frequency (if eligible)	Redemption Notice Period
June 30, 2022	\$ 115,381	None	Daily	None
June 30, 2021	\$ 136,696	None	Daily	None

Note 14: 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.

The Organization maintains cash deposits with financial institutions. There were no balances in excess of federal insured limits at June 30, 2022 and 2021.

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

Note 15: CONTRIBUTIONS OF NON-FINANCIAL ASSETS

All donated services and goods were utilized by the Organization’s program and supporting services. There were no donor-imposed restrictions associated with the contributed services or goods.

The components of services and goods contributed to the Organization consists of the following for the years ended June 30, 2022 and 2021:

<i>For the year ended June 30, 2022</i>	Donated Services	Donated Goods	Total
Program services	\$ -	\$ 3,867	\$ 3,867
Total contributed space, services and goods	\$ -	\$ 3,867	\$ 3,867

<i>For the year ended June 30, 2021</i>	Donated Services	Donated Goods	Total
Program services	\$ 51,111	\$ 59,519	\$ 110,630
Supporting services			
General and administrative	6,564	-	6,564
Fundraising	28,925	-	28,925
Total contributed space, services and goods	\$ 86,600	\$ 59,519	\$ 146,119

Donated services are valued using the most recent Bureau of Labor Statistics’ average hourly wage for professionals in the Organization’s metropolitan area. Donated goods are valued at the wholesale prices that would be received for selling similar products.

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

Note 16: COMMITMENTS

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

Minimum lease payments under noncancellable operating leases are as follows:

For the years ending June 30,

2023	\$	6,419
2024		1,752
2025		1,460
<hr/>		
Total	\$	9,631

Rent expense for the years ended June 30, 2022 and 2021 was \$13,178 and \$11,664, respectively.

Note 17: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering substantially all employees. The Organization matches participants' contributions to the Plan up to 3% of the individual participant's compensation, as well as employer discretionary contributions. Total expense for the years ended June 30, 2022 and 2021 totaled \$45,551 and \$40,825, respectively and are included in employee benefits.

Note 18: 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, 2022 and 2021.



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>	2022	2021
Beginning cash	\$ 8,476	\$ 8,303
Receipts	57,239	68,107
Disbursements	(65,712)	(67,934)
Ending cash	\$ 3	\$ 8,476