

UNITED WAY OF SOUTHWEST ALABAMA, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2025
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024)**

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INDEPENDENT AUDITORS' REPORT

UNITED WAY OF SOUTHWEST ALABAMA, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2025 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 873,327	\$ 515,204
Certificates of deposit	214,704	206,671
Pledges receivable - current campaign, net	902,065	618,520
Accounts receivable - other	6,776	7,168
Prepaid expenses	18,014	19,789
Total current assets	2,014,886	1,367,352
Non-current assets		
Investments in marketable securities	1,205,451	911,044
Operating lease right-of-use assets, net	19,731	25,163
Property and equipment, net	159,805	133,754
Total non-current assets	1,384,987	1,069,961
Total assets	\$ 3,399,873	\$ 2,437,313
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 53,593	\$ 44,906
Allocations payable	231,308	177,331
Designations payable	265,891	300,901
Current maturities of operating lease obligations	5,640	5,410
Total current liabilities	556,432	528,548
Long-term liabilities		
Operating lease obligations, net of current maturities	14,113	19,753
Total long-term liabilities	14,113	19,753
Total liabilities	570,545	548,301
Net assets		
Without donor restrictions	2,128,304	1,700,844
With donor restrictions	701,024	188,168
Total net assets	2,829,328	1,889,012
Total liabilities and net assets	\$ 3,399,873	\$ 2,437,313

See accompanying notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

STATEMENTS OF ACTIVITIES YEAR ENDED JUNE 30, 2025 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Summarized Total
Public support and revenue				
Gross campaign results				
Campaign contributions - current year	\$ 2,776,619	\$ 526,107	\$ 3,302,726	\$ 2,524,387
Donor designations	(265,891)	-	(265,891)	(300,901)
Recoveries	4,284	-	4,284	5,967
Provision for credit losses	(129,113)	-	(129,113)	(235,361)
Net campaign revenue - current year	<u>2,385,899</u>	<u>526,107</u>	<u>2,912,006</u>	<u>1,994,092</u>
Other contributions	12,499	-	12,499	13,434
Special fundraising event revenue	306,704	-	306,704	290,030
Less cost of direct benefits to participants	(99,483)	-	(99,483)	(75,680)
Contributions of non-financial assets	223,384	-	223,384	18,814
Investment income (loss), net	106,291	13,287	119,578	94,767
Net assets released from donor restriction	<u>26,539</u>	<u>(26,539)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,961,833</u>	<u>512,855</u>	<u>3,474,688</u>	<u>2,335,457</u>
Expenses				
Program services				
Funds allocated to partners	1,161,305	-	1,161,305	1,315,522
Less allocations funded through designations	(265,891)	-	(265,891)	(300,901)
Total allocations	<u>895,414</u>	<u>-</u>	<u>895,414</u>	<u>1,014,621</u>
Special designations to partners	1,060	-	1,060	33,000
Community and program services	<u>1,041,340</u>	<u>-</u>	<u>1,041,340</u>	<u>833,287</u>
Total program services	<u>1,937,814</u>	<u>-</u>	<u>1,937,814</u>	<u>1,880,908</u>
Supporting services				
Organizational administration	108,674	-	108,674	92,789
Fundraising	<u>487,884</u>	<u>-</u>	<u>487,884</u>	<u>466,966</u>
Total supporting services	<u>596,558</u>	<u>-</u>	<u>596,558</u>	<u>559,755</u>
Total expenses	<u>2,534,372</u>	<u>-</u>	<u>2,534,372</u>	<u>2,440,663</u>
Change in net assets	427,461	512,855	940,316	(105,206)
Net assets, beginning of period	<u>1,700,844</u>	<u>188,168</u>	<u>1,889,012</u>	<u>1,994,218</u>
Net assets, ending of period	<u>\$ 2,128,305</u>	<u>\$ 701,023</u>	<u>\$ 2,829,328</u>	<u>\$ 1,889,012</u>

See accompanying notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2025 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	Program Services	Organizational Administration	Fundraising	2025	2024
Funds allocated to partners	\$ 1,161,305	\$ -	\$ -	\$ 1,161,305	\$ 1,315,522
Less allocations funded through designations	<u>(265,891)</u>	<u>-</u>	<u>-</u>	<u>(265,891)</u>	<u>(300,901)</u>
	<u>895,414</u>	<u>-</u>	<u>-</u>	<u>895,414</u>	<u>1,014,621</u>
Special designations to partners	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>1,060</u>	<u>33,000</u>
Salaries and wages	329,140	42,271	186,263	557,674	556,070
Payroll taxes	23,578	3,029	13,343	39,950	40,102
Employee benefits	91,954	11,811	52,038	155,803	173,056
Grants to others	135,317	-	-	135,317	110,816
Advertising	41,776	5,360	23,640	70,776	6,892
Board/staff development	10,836	1,391	6,131	18,358	10,624
Contract labor	9,100	1,169	5,150	15,419	17,804
Contract services	60,000	-	9,120	69,120	58,111
Dues and subscriptions	15,394	1,977	8,713	26,084	19,406
Depreciation	6,871	883	3,888	11,642	13,614
Insurance	13,874	1,781	7,852	23,507	21,610
Interest expense	11,551	1,483	6,537	19,571	45,383
Occupancy	61,612	7,935	34,868	104,415	79,882
Postage and shipping	917	117	518	1,552	1,061
Printing	1,788	229	1,012	3,029	7,399
Professional fees	64,609	8,298	36,563	109,470	122,916
Facilities rental	13,831	1,775	7,816	23,422	950
Special events	39,380	5,059	22,288	66,727	16,685
Supplies	69,536	8,933	39,349	117,818	16,420
Telephone	8,621	1,107	4,880	14,608	16,256
Travel	13,111	1,684	7,421	22,216	27,753
United Way dues	<u>18,544</u>	<u>2,382</u>	<u>10,494</u>	<u>31,420</u>	<u>30,232</u>
	<u>1,041,340</u>	<u>108,674</u>	<u>487,884</u>	<u>1,637,898</u>	<u>1,393,042</u>
Total expenses	<u>\$ 1,937,814</u>	<u>\$ 108,674</u>	<u>\$ 487,884</u>	<u>\$ 2,534,372</u>	<u>\$ 2,440,663</u>

See accompanying notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30, 2025 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 940,316	\$ (105,206)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,642	13,614
Amortization of right-of-use assets	5,431	5,829
Net (gain) loss on investments	(102,439)	(74,945)
Provision for uncollectibles	129,113	235,361
Changes in operating assets and liabilities		
Pledges receivable	(412,658)	(78,342)
Accounts receivable - other	392	9,091
Prepaid expenses	1,775	(288)
Accounts payable and accrued expenses	8,687	(65,356)
Allocations payable	53,977	164,735
Designations payable	(35,010)	105,683
Operating lease liabilities	(5,410)	(5,829)
Net cash provided by operating activities	595,816	204,347
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,693)	(35,901)
Purchase of investments	(200,000)	(200,105)
Proceeds from sale of investments	-	388,932
Net cash provided by (used in) investing activities	(237,693)	152,926
Net change in cash and cash equivalents	358,123	357,273
Cash and cash equivalents, at beginning of year	515,204	157,931
Cash and cash equivalents, at end of year	\$ 873,327	\$ 515,204
Schedule of Noncash Transactions		
Lease liabilities arising from obtaining right-of-use assets	\$ -	\$ 29,927

See accompanying notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The Organization's program services consist of the following:

Grants to Others - The Organization makes grant allocations to various health and human service organizations in Choctaw, Clarke, Mobile and Washington Counties in support of our four building blocks: Health, Education, Financial Stability, and access to life's basic essentials like food, clothing, and shelter.

United Way 211 - The Organization operates a health and human service hotline connecting callers to local non-profits that provide free and confidential referrals to individuals seeking social services.

Dolly Parton Imagination Library/Book Distribution - The Organization provides an early education program that fosters an early love for reading by gifting free books to children from birth to age five.

Volunteer Income Tax Assistance - The Organization offers free tax preparation to people who meet income qualifications, have disabilities, are elderly, or limited English speaking taxpayers.

Volunteer Connect - The Organization provides a tool utilized to inspire volunteerism by educating the community about current needs and mobilizing volunteers to respond to those pressing needs.

The Basics - The Organization provides an early childhood development program to support social, emotional, and cognitive development of children from birth to age five.

Disaster Recovery - The Organization assists with home repairs, temporary housing, legal assistance, food/clothing, and resources following hurricanes, tornados, floods or fires.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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. The Organization also 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, estimated useful lives of long-lived assets, contributions of non-financial assets, 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2024 summarized financial statement information to conform with the current year presentation. These reclassifications had no effect on net assets and changes in net assets as previously reported.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - 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 uncollectible pledges. 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. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received. During the years ended June 30, 2024 and June 30, 2024, respectively, \$119,473 and \$245,828 of pledges receivable were written off and as of June 30, 2024 and June 30, 2024, respectively, management has estimated an allowance for credit losses of \$179,060 and \$173,704.

Accounts receivable - other

Accounts receivable - other represent amounts owed to the Organization which are expected to be collected within twelve months and are presented in the statements of financial position net of the allowance for credit losses.

Investments

Certificates of deposit are valued at original cost at purchase plus accrued interest. The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements 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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 straightline method over the estimated useful lives of the assets.

Leases

The Organization leases office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease obligations in the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straightline basis over the lease term.

Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets (continued)

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 service fees is recognized as revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue received in advance is deferred and recognized over the periods to which the dates and fees relate.

Annual fund-raising campaigns are conducted each year to raise support for charitable distributions. Campaigning revenue is recognized at the time of the promise. Donors have the option to designate their contribution to another specific recognized 501(c)(3) organization. These transactions are included in the total campaign amounts raised on the statements of activities and then deducted as designations payable before arriving at net campaign results. Campaigning donor designations payable in the statements of financial position represent amounts raised through various campaigns that are designated by donors to be paid out to other 501(c)(3) organizations.

The Organization conducts several annual golf tournament fundraiser in partnership with other organizations in the counties they serve. Special event fees collected by the Organization in advance of the event are initially recognized as liabilities (deferred revenue), and revenue is recognized on the day of the event.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - 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.

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

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. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a square footage basis.

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, 2025 and 2024, advertising costs totaled \$70,776 and \$6,892, 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. There was no unrelated business income for the years ended June 30, 2025 and 2024.

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, 2025 and 2024, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

Subsequent events have been evaluated through December 15, 2025, which is the date the financial statements were available to be issued.

NOTE 2 - PRIOR PERIOD ADJUSTMENT

During the current year, management revised its reporting of donor restrictions and releases of donor restrictions. As a result, the previously reported donor restricted net assets as of June 30, 2024, of \$806,688 was revised to \$188,168.

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 or donor-imposed restrictions.

	<u>2025</u>	<u>2024</u>
Total assets at year end	\$ 3,399,873	\$ 2,437,313
Less non-financial assets		
Prepaid expenses	(18,014)	(19,789)
Right-of-use assets, net	(19,731)	(25,163)
Property and equipment, net	<u>(159,805)</u>	<u>(133,754)</u>
Financial assets at year end	3,202,323	2,258,607
Less those not available for general expenditures within one year,		
Donor restricted	(701,024)	(188,168)
Board-designated reserve funds without donor restrictions for quasi endowment	<u>(1,069,967)</u>	<u>(782,642)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,431,332</u>	<u>\$ 1,287,797</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 3 - LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (CONTINUED)

The Organization is principally supported by pledges and contributions from its donors. The Organization invests cash that exceeds daily requirements into certificates of deposit. 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 when collected. In the event of unanticipated liquidity needs, 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.

NOTE 4 - CERTIFICATES OF DEPOSIT

As of June 30, 2025 and 2024, respectively, the Organization held certificates of deposit with various banks with rates ranging from 0.15% to 3.25% and original terms ranging from 6 months to 12 months. All certificates have automatic renewal provisions.

NOTE 5 - INVESTMENTS

Investment in marketable securities consist of the following:

<u>June 30, 2025</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 72,020	\$ 72,020
Corporate bonds	120,162	112,707
U.S. treasury securities	136,606	137,444
Exchange-traded funds	102,656	100,086
Common stocks	457,071	647,709
Pooled separate accounts	<u>50,000</u>	<u>135,485</u>
Total investments	<u>\$ 938,515</u>	<u>\$ 1,205,451</u>
<u>June 30, 2024</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 58,893	\$ 58,893
Corporate bonds	100,282	90,116
U.S. treasury securities	101,598	98,060
Exchange-traded funds	72,534	68,031
Common stocks	325,387	467,542
Pooled separate accounts	<u>50,000</u>	<u>128,402</u>
Total investments	<u>\$ 708,694</u>	<u>\$ 911,044</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 6 - PROPERTY AND EQUIPMENT

The components of property and equipment consist of the following as of June 30:

	Estimated Useful Lives (in years)	2025	2024
Parking lot - Joachim	10	\$ 49,017	\$ 49,017
Building and improvements	7-40	519,997	502,736
Furniture and fixtures	5-18	98,661	88,585
Computer equipment	3-10	236,917	226,560
		904,592	866,898
Less accumulated depreciation and amortization		(744,787)	(733,144)
Total property and equipment, net		\$ 159,805	\$ 133,754

Depreciation expense for the years ended June 30, 2025 and 2024 amounted to \$11,642 and \$13,614, respectively.

NOTE 7 - LEASE

The Organization has entered into an operating lease for office equipment with monthly payments of \$530. The Organization uses the risk free rate in its calculation of lease liabilities. Cash paid for amounts included in the measurement of the operating lease was \$6,359 and \$5,829 during the years ended June 30, 2025 and 2024, respectively.

Weighted average remaining lease term and discount rates consist of the following as of June 30:

	2025	2024
Weighted average remaining lease term	3.3 years	4.3 years
Weighted average discount rate	4.18%	4.18%

Minimum lease payments due under operating leases as of June 30, 2025 are as follows:

2026	\$ 6,359
2027	6,359
2028	6,359
2029	2,120
Total future minimum lease payments	21,197
Less imputed interest	(1,444)
Present value of lease liabilities	\$ 19,753

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 8 - LINE OF CREDIT

The Organization maintained a line of credit agreement with a financial institution, to be renewed annually, with available borrowings of \$250,000 and an interest rate of the lender's prime rate (7.50% and 8.50% at June 30, 2025 and 2024, respectively). The line is secured by the Organization's securities and investments account held at Hancock Whitney Bank. The credit line expired on October 23, 2024 and was not renewed by management. There was no outstanding balance as of June 30, 2025 and 2024.

NOTE 9 - NET ASSETS

A summary of net assets without donor restrictions consists of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 1,058,338	\$ 918,202
Board designated - Reserve Fund	<u>1,069,967</u>	<u>782,642</u>
Total net assets without donor restrictions	<u>\$ 2,128,305</u>	<u>\$ 1,700,844</u>

A summary of net assets with donor restrictions consists of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Time restricted	\$ 180,000	\$ -
Purpose restricted		
Endowments	135,485	128,402
Specific program expense	<u>385,539</u>	<u>59,766</u>
Total net assets with donor restrictions	<u>\$ 701,024</u>	<u>\$ 188,168</u>

A summary of the release of donor restrictions consists of the following for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Purpose restrictions - Specific program expense	<u>\$ 26,539</u>	<u>\$ 34,668</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 10 - REVENUE

A summary of disaggregated revenue information follows for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Revenue from contracts with customers		
Recognized over time	\$ 820	\$ -
Recognized at a point of time	207,221	214,350
Revenue and support from other sources	<u>3,266,647</u>	<u>2,121,107</u>
Total revenue and support	<u>\$ 3,474,688</u>	<u>\$ 2,335,457</u>

As of June 30, 2025 and 2024, respectively, there are no contract assets and no performance obligations to be satisfied.

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 2025 and 2024 commitments to programs and agencies are based on the results of the fall and winter 2024 and 2023 campaigns, and are reflected as allocations in the statement of activities for the years ended June 30, 2025 and 2024, respectively. Amounts received in 2025 and 2024 for donor-designated gifts to others total \$265,891 and \$300,901, respectively.

NOTE 12 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS

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

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 12 - CONTRIBUTIONS OF NON-FINANCIAL ASSETS (CONTINUED)

The components of space, services and goods contributed to the Organization consists of the following for the years ended June 30, 2025 and 2024:

	<u>Donated Space</u>	<u>Donated Services</u>	<u>Donated Goods</u>	<u>Total</u>
For the year ended June 30, 2025				
Program services	\$ 21,672	\$ -	\$ 171,016	\$ 192,688
Supporting services				
Organizational administration	-	5,200	15,302	20,502
Fundraising	<u>2,800</u>	<u>516</u>	<u>6,878</u>	<u>10,194</u>
Total contributed space, services and goods	<u>\$ 24,472</u>	<u>\$ 5,716</u>	<u>\$ 193,196</u>	<u>\$ 223,384</u>
For the year ended June 30, 2024				
Program services	\$ -	\$ 27	\$ 6,752	\$ 6,779
Supporting services				
Organizational administration	428	407	7,929	8,764
Fundraising	<u>700</u>	<u>500</u>	<u>2,071</u>	<u>3,271</u>
Total contributed space, services and goods	<u>\$ 1,128</u>	<u>\$ 934</u>	<u>\$ 16,752</u>	<u>\$ 18,814</u>

Donated space is valued at fair value of similar properties available in commercial real estate listings. Donated services are valued using the most recent Bureau of Labor Statistics' average hourly wage for counselors in the Organizations' metropolitan area. Donated goods are valued at the wholesale prices that would be received for selling similar products.

NOTE 13 - ENDOWMENTS

The Organization's endowment consists of the two individual funds established to provide current income and long-term financial support of the annual campaigns. Its endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment fund, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 13 - ENDOWMENTS (CONTINUED)

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 and classifies as net assets with donor restrictions (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 UPI. In accordance with UPI, 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.

The Organization has adopted investment and spending policies, approved by the Board of Directors, 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.

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.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 13 - ENDOWMENTS (CONTINUED)

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, 2025 and 2024.

Endowment net asset composition by type of fund consists of the following as of June 30:

	2025	2024
Original donor-restricted gifts in perpetuity	\$ 60,000	\$ 60,000
Accumulated investment gains	75,484	68,402
Board-designated reserve funds without donor restrictions for quasi endowment	1,069,967	782,642
Total endowment funds	\$ 1,205,451	\$ 911,044

Changes in endowment net assets consists of the following for the years June 30, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	2025	2024 Summarized Total
Endowment net assets, beginning of year	\$ 782,642	\$ 128,402	\$ 911,044	\$ 1,032,634
Investment income, net	19,323	2,895	22,218	19,978
Net appreciation (depreciation)	76,968	12,007	88,975	74,945
Withdrawals/Deposits, net	200,000	(6,205)	193,795	(205,984)
Management fees	(8,966)	(1,615)	(10,581)	(10,529)
Endowment net assets, end of year	\$ 1,069,967	\$ 135,484	\$ 1,205,451	\$ 911,044

Grants from the Alabama Power Endowment Fund of \$6,205 and \$5,984 are included in campaign contribution revenue for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 totaled \$319,005 and \$300,944, respectively. Grants of \$14,200 and \$13,737 are included in campaign contribution revenue for the years ended June 30, 2025 and 2024, respectively.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 13 - ENDOWMENTS (CONTINUED)

Additionally, the Organization is the beneficiary of a charitable trust. The trust balance totaled \$148,701 and \$143,396 as of June 30, 2025 and 2024, 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 14 - 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. 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, 2025 and 2024.

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 net asset value (NAV) and to transact at that price. The money market funds held by the Organization are deemed to be actively traded.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 and closed end 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 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.

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 consists of the following:

June 30, 2025	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 72,020	\$ -	\$ -	\$ 72,020
Corporate bonds	112,707	-	-	112,707
U.S. treasury securities	137,444	-	-	137,444
Exchange-traded funds	100,086	-	-	100,086
Common stocks	647,709	-	-	647,709
Pooled separate accounts (A)	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,485</u>
Total investments at fair value	<u>\$ 1,069,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,205,451</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

June 30, 2024	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market fund	\$ 58,893	\$ -	\$ -	\$ 58,893
Corporate bonds	90,116	-	-	90,116
U.S. treasury securities	98,060	-	-	98,060
Exchange-traded funds	68,031	-	-	68,031
Common stocks	467,542	-	-	467,542
Pooled separate accounts (A)	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,402</u>
Total investments at fair value	<u>\$ 782,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 911,044</u>

(A) Investments that are measured at fair value using the net asset value per share have been excluded from the fair value hierarchy leveling.

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, 2025, 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, 2025 and 2024, respectively. The pooled accounts are maintained by the CFSA that hold investments in accordance with a stated set of fund objectives.

<u>Year-end</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
June 30, 2025	\$ 135,485	None	Daily	None
June 30, 2024	\$ 128,402	None	Daily	None

UNITED WAY OF SOUTHWEST ALABAMA, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2025 AND 2024

NOTE 15 - CONCENTRATIONS

The Organization maintains cash deposits with financial institutions. The Organization maintains its cash balances in various institutions that may exceed the \$250,000 limited insured by the Federal Deposit Insurance Corporation. The organization believes there is no significant risk with respect to these deposits.

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.

NOTE 16 - 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, 2025 and 2024 totaled \$39,479 and \$42,775, respectively and are included in employee benefits.

SUPPLEMENTARY INFORMATION

UNITED WAY OF SOUTHWEST ALABAMA, INC.

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS FOR THE MOBILE AREA
ALABAMA STATE EMPLOYEE'S COMBINED CHARITABLE CAMPAIGN**

	June 30	
	2025	2024
Beginning Cash	\$ 30,594	\$ 13,045
Receipts	59,885	49,024
Disbursements	<u>(64,654)</u>	<u>(31,475)</u>
Ending cash	<u>\$ 25,825</u>	<u>\$ 30,594</u>