

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

Financial Statements

for the year ended
December 31, 2012



UNITED WAY OF SOUTHWEST ALABAMA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the United Way of Southwest Alabama, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United Way of Southwest Alabama, Inc. as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited the United Way of Southwest Alabama, Inc.'s 2011 financial statements, and our report dated July 26, 2012, expressed an unmodified opinion on these audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Russell Thompson Butler & Houston, LLP

*Mobile, Alabama
August 9, 2013*

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Financial Position

December 31, 2012

(with comparative totals as of December 31, 2011)

December 31	2012	2011
Assets		
Cash and cash equivalents	\$ 933,769	\$ 990,079
Certificates of deposit	244,666	242,863
Pledges receivable - current campaign, net	2,361,239	2,770,435
Pledges receivable - prior campaign, net	557,511	567,242
Accounts receivable - other	55,148	39,339
Prepaid expenses	15,587	11,348
Investments, at market value	781,190	893,478
Property and equipment, net	211,614	190,988
Total assets	\$ 5,160,724	\$ 5,705,772
Liabilities and Net Assets		
Liabilities		
Allocations and designations payable	\$ 634,475	\$ 900,539
Accounts payable and accrued expenses	9,916	11,851
Total liabilities	644,391	912,390
Net assets		
Unrestricted	1,730,236	1,326,049
Temporarily restricted	2,726,097	3,407,333
Permanently restricted	60,000	60,000
Total net assets	4,516,333	4,793,382
Total liabilities and net assets	\$ 5,160,724	\$ 5,705,772

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities
 Year Ended December 31, 2012
 (with comparative totals for the year ended December 31, 2011)

Year Ended December 31	2012				2011
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals Only
Public support and revenue					
Gross campaign results					
Campaign contributions - current year	\$ 813,385	\$ 3,750,070	\$ -	\$ 4,563,455	\$ 4,629,385
Donor designations	41,464	(948,881)	-	(907,417)	(590,718)
Less allowance for uncollectibles	(69,836)	(308,319)	-	(378,155)	(296,614)
Net campaign revenue - current	785,013	2,492,870	-	3,277,883	3,742,053
Campaign contributions - prior year	3,969,427	(3,969,427)	-	-	-
Less donor designations	(562,462)	562,462	-	-	-
Less allowance for uncollectibles	(296,614)	296,614	-	-	-
Net campaign revenue - prior	3,110,351	(3,110,351)	-	-	-
Recovery (write off) of pledge contributions in excess of prior allowance	53,192	-	-	53,192	(57,806)
Net campaign results	3,948,556	(617,481)	-	3,331,075	3,684,247
Other contributions	78,991	-	-	78,991	113,174
In-kind revenue	17,789	-	-	17,789	21,700
Investment return	74,315	8,287	-	82,602	(14,829)
Administrative fee income	21,700	-	-	21,700	21,700
Service fee revenue	22,626	168,167	-	190,793	254,198
Other public support	17,846	-	-	17,846	200,755
	4,181,823	(441,027)	-	3,740,796	4,280,945
Releases from restriction	240,209	(240,209)	-	-	-
Total public support, revenue, and releases	4,422,032	(681,236)	-	3,740,796	4,280,945

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Activities (continued)
 Year Ended December 31, 2012
 (with comparative totals for the year ended December 31, 2011)

Year Ended December 31	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals Only
Expenses					
Program services					
Funds allocated to partners	3,334,758	-	-	3,334,758	3,402,774
Less allocations funded through designations	(799,743)	-	-	(799,743)	(718,745)
Total allocations	2,535,015	-	-	2,535,015	2,684,029
Special designations to agencies Community and program services provided	26,403	-	-	26,403	204,000
Total program services	3,260,731	-	-	3,260,731	3,348,110
Supporting services					
Organizational administration	166,310	-	-	166,310	326,831
Fund-raising	544,170	-	-	544,170	647,115
United Way Worldwide dues	46,634	-	-	46,634	46,289
Total supporting services	757,114	-	-	757,114	1,020,235
Total expenses	4,017,845	-	-	4,017,845	4,368,345
Change in net assets	404,187	(681,236)	-	(277,049)	(87,400)
Net assets					
Beginning of year	1,326,049	3,407,333	60,000	4,793,382	4,880,782
End of year	\$ 1,730,236	\$ 2,726,097	\$ 60,000	\$ 4,516,333	\$ 4,793,382

See notes to financial statements

Statement of Functional Expenses
Year Ended December 31, 2012
(with comparative totals for the year ended December 31, 2011)

Year Ended December 31	2012		
		Program Services	
	Allocations	Community and program	Totals
Funds allocated to partners	\$ 3,334,758	\$ 26,403	\$ 3,361,161
Less allocations funded through designations	(799,743)	-	(799,743)
Subtotal	2,535,015	26,403	2,561,418
Salaries	-	329,175	329,175
Payroll taxes	-	23,995	23,995
Employee benefits	-	68,960	68,960
Totals	-	422,130	422,130
Agency relations	-	31,647	31,647
Advertising	-	5,458	5,458
Board/staff development	-	859	859
Contract labor	-	10,274	10,274
Contract services	-	76,374	76,374
Dues and subscriptions	-	2,423	2,423
Depreciation	-	10,011	10,011
Insurance	-	7,513	7,513
Miscellaneous	-	5,116	5,116
Occupancy	-	29,184	29,184
Postage and shipping	-	2,653	2,653
Printing	-	9,980	9,980
Professional fees	-	19,525	19,525
Special events	-	32,578	32,578
Supplies	-	12,642	12,642
Telephone	-	6,091	6,091
Travel	-	14,855	14,855
Subtotal	-	699,313	699,313
United Way Worldwide dues	-	-	-
Total functional expenses	\$ 2,535,015	\$ 725,716	\$ 3,260,731

UNITED WAY OF SOUTHWEST ALABAMA, INC.

2012				2011	
Supporting Services					
Organizational administration	Fund- raising	UWW Dues	Totals	Totals	Comparative Totals Only
\$ -	\$ -	\$ -	\$ -	\$ 3,361,161	\$ 3,606,774
-	-	-	-	(799,743)	(718,745)
-	-	-	-	2,561,418	2,888,029
92,586	195,481	-	288,067	617,242	564,047
6,749	14,249	-	20,998	44,993	41,319
19,396	40,952	-	60,348	129,308	122,175
118,731	250,682	-	369,413	791,543	727,541
-	6,049	-	6,049	37,696	175,143
1,535	3,241	-	4,776	10,234	6,191
242	510	-	752	1,611	5,211
2,890	6,101	-	8,991	19,265	10,307
-	186,983	-	186,983	263,357	259,091
681	1,438	-	2,119	4,542	15,312
2,816	5,945	-	8,761	18,772	19,816
2,113	4,462	-	6,575	14,088	12,785
1,439	3,039	-	4,478	9,594	18,676
8,208	17,331	-	25,539	54,723	47,851
746	1,575	-	2,321	4,974	6,057
2,807	5,926	-	8,733	18,713	25,373
5,492	11,595	-	17,087	36,612	27,936
9,163	19,347	-	28,510	61,088	29,746
3,556	7,508	-	11,064	23,706	16,651
1,713	3,617	-	5,330	11,421	16,563
4,178	8,821	-	12,999	27,854	13,777
166,310	544,170	-	710,480	1,409,793	1,434,027
-	-	46,634	46,634	46,634	46,289
\$ 166,310	\$ 544,170	\$ 46,634	\$ 757,114	\$ 4,017,845	\$ 4,368,345

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Statement of Cash Flows

Year Ended December 31, 2012

(with comparative totals for the year ended December 31, 2011)

Year Ended December 31	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (277,049)	\$ (87,400)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,772	19,816
Net realized (gain) on investments	(51,586)	(17,845)
Net unrealized (gain) loss on investments	(15,644)	55,265
Provision for uncollectibles	378,155	296,614
(Increase) decrease in:		
Pledges receivable	40,772	(260,285)
Accounts receivable - other	(15,809)	4,121
Prepaid expenses	(4,239)	5,148
Increase (decrease) in:		
Allocations and designations payable	(266,064)	13,707
Accounts payable and accrued expenses	(1,935)	(25,079)
Net cash provided by (used in) operating activities	(194,627)	4,062
Cash flows from investing activities		
Purchase of investments	(262,177)	(255,723)
Proceeds from sale of investments	439,892	240,699
Purchases of property and equipment	(39,398)	(2,334)
Net cash provided by (used in) investing activities	138,317	(17,358)
Net decrease in cash and cash equivalents	(56,310)	(13,296)
Cash and cash equivalents		
Beginning of year	990,079	1,003,375
End of year	\$ 933,769	\$ 990,079
Supplemental disclosures:		
In-kind revenue	\$ 17,789	\$ 21,700
In-kind service expense	\$ 17,789	\$ 21,700

See notes to financial statements

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements

December 31, 2012

Note 1 – Statement of purpose

United Way of Southwest Alabama, Inc. (the Organization) began in 1926. It was formally organized as the Community Chest of Mobile, holding its first united campaign on behalf of 22 health and human service agencies in 1927. The Organization's mission is to improve the quality of life in the community. Through a workplace fund drive conducted primarily by volunteers, the Organization raises money from individuals and organizations to make possible services provided both by the Organization and by other area not-for-profit health and human service organizations. Virtually all of the Organization's funds are derived from contributions by residents and businesses in Mobile, Clarke, and Washington counties. The Organization is governed by a volunteer board of trustees.

Note 2 – Summary of significant accounting policies

Financial statement presentation

These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby net assets and activities are reported, based on the existence or absence of donor-imposed restrictions, into three classes: unrestricted, temporarily restricted, and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Certificates of deposits

Certificates of deposit are carried at fair market value which approximates cost. Fair market value is measured based on Level 2 inputs, which consist of quoted prices for similar assets or liabilities in active markets.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 2 – Summary of significant accounting policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets on the statement of activities.

The board-designated reserve funds (BDRF) are invested at Hancock Bank, with the objective to seek the highest returns on investments with the lowest possible risk with a maximum of 60% in common stocks. The purpose of the fund is to provide emergency funding to the partners in the event of an unforeseen disaster. The goal is to maintain a principal balance in the account of at least \$1,000,000.

The donor-restricted fund consists of the Alabama Power Endowment fund which is invested in a moderate portfolio at the Community Foundation of South Alabama. The income of the endowment will be used as the need might dictate to fund approved grant proposals.

Property and equipment

Property and equipment items are carried at cost, or if donated, at the estimated fair market value at the time of donation. Expenditures which materially increase values or extend useful lives are capitalized, while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. The net gain or loss on items retired or otherwise disposed of is credited or charged to income and the cost and accumulated depreciation are removed from the accounts.

Depreciation

A provision for depreciation of property and equipment is made using the straight-line method. Estimated useful lives are principally as follows: building and improvements, 10 - 40 years; furniture and fixtures, 5 – 18 years; and computer equipment, 3 – 10 years.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization conducts an annual fund-raising campaign for the following year's operations. Thus, campaign contributions are treated as temporarily restricted in the year of the campaign and are transferred to unrestricted in the following year when the funds will be used to fund program allocations and the Organization's programs and supporting services. The Organization honors designations made to each partner agency by distributing the portion of a donor's pledge to said partner agency.

Contributions received in the current year from the preceding year's fund-raising campaign are reported as unrestricted since the restrictions are met in the same year.

Pledges receivable

Pledges receivable are unconditional promises to give that are expected to be collected within one year and are recorded at their net realizable value. Pledges, less an estimated provision for uncollectible amounts, are recorded as receivables and as contributions in the year the pledge is made. Provision for uncollectible amounts is computed based upon a historical average adjusted by management's estimate of current economic factors, applied to individual county campaigns, excluding state and combined federal campaigns, special designations and youth allocations.

Donated property and services

The Organization recognizes donated property and other intangible gifts-in-kind such as advertising and building and facility use as a contribution at its estimated market value at the date of the gift. The value of donated services is not recognized as a contribution since no objective basis is available to measure the value of such services and generally they do not require specialized skills. A substantial number of volunteers and organizations have donated significant amounts of their time and services on the Organization's behalf.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 2 – Summary of significant accounting policies (continued)***Functional expense allocations***

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Functional expenses are allocated according to staff time spent on the benefitting programs and supporting services.

Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Compensated absences

Employees of the Organization are entitled to paid vacation, depending on the length of time employed. It is impractical to estimate the amount of compensation for absences; accordingly, no liability has been recorded in the financial statements. The Organization's policy is to recognize the cost of compensated absences when the time is taken.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2012 was \$10,235.

Memorandum totals

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). The statements of activities and functional expenses include certain prior year summarized comparative data 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 December 31, 2011, from which the summarized data was derived.

Cost deduction standards

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

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 2 – Summary of significant accounting policies (continued)

Uncertain tax positions

The Organization implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2012, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. With few exceptions, the Organization is no longer subject to Federal or state income tax examinations by taxing authorities for years before 2009.

Subsequent events

Management's evaluation of subsequent events through August 9, 2013, which is the date the financial statements were available to be issued revealed no significant matters except for the Memo of Understanding dated April 1, 2013 entered into between the United Way of Southwest Alabama, Inc. and Hands on South Alabama, Inc. If a successful relationship ensues, management intends to merge Hands on South Alabama, Inc. into United Way of Southwest Alabama, Inc. on or before December 31, 2015.

Note 3 – Certificates of deposit

A detail of certificates of deposit as of December 31, 2012 is as follows:

First Community Bank, Chatom, Alabama	\$ 80,467
Capstone, McIntosh, Alabama	32,846
Merchants Bank, Jackson, Alabama	41,827
First United Security Bank, Thomasville, Alabama	33,912
Commonwealth Bank, Mobile, Alabama	27,202
PNC Bank, Mobile, Alabama	28,412
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Total	<u>\$ 244,666</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 4 – Current campaign

The pledges receivable are due in one year and include the following unconditional promises to give as of December 31, 2012:

Undesignated	
County campaign	\$ 2,934,160
Combined federal campaign	29,167
Alabama state employee campaign	7,162
<u>Total undesignated</u>	<u>2,970,489</u>
Designated	
County campaign	571,044
Combined federal campaign	135,178
Alabama state employee campaign	73,359
<u>Total designated</u>	<u>779,581</u>
Gross unconditional pledges	3,750,070
Cash collected during campaign	(1,080,512)
<u>Total</u>	<u>2,669,558</u>
Less allowance for uncollectible pledges	(308,319)
<u>Pledges receivable, net of allowance for uncollectible pledges</u>	<u>\$ 2,361,239</u>

Note 5 – Prior campaign

The pledges receivable due in one year include the following as of December 31, 2012:

Pledges receivable, gross	\$ 602,686
Less allowance for uncollectible pledges	(45,175)
<u>Pledges receivable, net of allowance</u>	<u>\$ 557,511</u>

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 6 – Investments

The United Way of Southwest Alabama, Inc. had two investment funds at the Community Foundation of South Alabama (CFSA) and a board-designated reserve fund (BDRF) with Hancock Bank during 2012.

Contributions to the Alabama Power Foundation Endowment fund are recorded as permanently restricted and the income and unrealized appreciation/depreciation are recorded as temporarily restricted until used to fund the approved grant proposals.

The BDRF was funded with unrestricted resources; therefore, the income and unrealized appreciation/depreciation are recorded as unrestricted net assets.

Net investment composition by type of fund as of December 31, 2012 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Donor-restricted	\$ -	\$ 26,175	\$ 60,000	\$ 86,175
Board-restricted	695,015	-	-	695,015
Total funds	\$ 695,015	\$ 26,175	\$ 60,000	\$ 781,190

Changes in net investments for the year ended December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Net investments, beginning of year	\$ 815,590	\$ 17,888	\$ 60,000	\$ 893,478
Investment income, net	11,663	1,810	-	13,473
Net appreciation	8,862	6,782	-	15,644
Net realized gain	50,868	718	-	51,586
Withdrawals, net	(186,007)	-	-	(186,007)
Management fees	(5,961)	(1,023)	-	(6,984)
Net investments, end of year	\$ 695,015	\$ 26,175	\$ 60,000	\$ 781,190

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 6 – Investments (continued)

The Endowed Annual Gift Fund has not been included as an asset of the Organization since CFSA has control of these funds. This fund was established as an endowment to provide current income and long-term financial support of the annual campaigns and totals \$211,744 as of December 31, 2012.

The Financial Accounting Standards Board established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of quoted prices for similar assets or liabilities in active markets; and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Fair values of assets measured on a recurring basis as of December 31, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market fund	\$ 33,969	\$ 33,969	\$ -
Mutual funds	-	-	-
Bonds	264,741	178,566	86,175
Equities	432,480	432,480	-
Certificate of deposit	50,000	-	50,000
Total assets	\$ 781,190	\$ 645,015	\$ 136,175

All assets have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 6 – Investments (continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2012:

Interest and dividend income	\$ 15,372
Net realized gains	51,586
Net unrealized gains	15,644
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Investment return	\$ 82,602
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Investment expense incurred during the year ended December 31, 2012 was \$6,984.

Note 7 – Property and equipment

Property and equipment consists of the following as of December 31, 2012:

Parking lot - Joachim	\$ 49,017
Building and improvements	453,994
Furniture and fixtures	83,878
Computer equipment	182,574
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	769,463
Less accumulated depreciation	557,849
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Property and equipment, net	\$ 211,614
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Note 8 – Unrestricted appropriated net assets

Unrestricted net assets were appropriated by the Board of Trustees as of December 31, 2012 as follows:

Appropriated by board for reserve:	
Mobile County	\$ 836,804
Washington County	113,313
Clarke County	75,739
Appropriated for property and equipment	211,614
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Totals	\$ 1,237,470
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UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 9 – Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2012, are available for the following purposes:

Time restrictions - net campaign contributions for future years	\$ 2,661,037
Purpose restrictions - grant and other contributions	38,885
Purpose restrictions - earnings on endowment to be used to fund approved grant proposals	26,175
Total temporarily restricted net assets	\$ 2,726,097

Note 10 – Permanently restricted net assets

The Organization received an endowment from the Alabama Power Foundation. The principal is permanently restricted, and endowment fund earnings are temporarily restricted to fund special grants.

Note 11 – Related party transactions

The Organization contracts with the Local Federal Coordinating Committee (LFCC) to manage the Southwest Alabama Combined Federal Campaign (CFC) for federal employees in nine counties in Alabama. It also contracts with the State of Alabama to manage the Alabama State Employees' Charitable Campaign (ASECC) in five counties in Alabama. The Organization is reimbursed for campaign expense related to the management of these campaigns. Reimbursements due of \$15,221 are included in accounts receivable – other as of December 31, 2012.

Members of the Board of Trustees are also members of the Board of Trustees of the Gordon Smith Center, Inc. (a not-for-profit organization). The Organization pays expenses on behalf of the Gordon Smith Center, Inc., which are reimbursed. The Organization received \$2,000 administrative income for the year ended December 31, 2012.

UNITED WAY OF SOUTHWEST ALABAMA, INC.

Notes to Financial Statements (continued)

December 31, 2012

Note 12 – 403(b) Retirement plan

The Organization sponsors a defined contribution retirement plan covering substantially all employees.

Employees may elect to defer any percentage of their compensation not to exceed the Internal Revenue Service Code 402(g) limit. The plan provides for employer matching contributions up to 3% of each participant's compensation, as well as employer discretionary contributions. All employee and employer contributions are 100% vested at all times. The Organization's contributions to this plan totaled \$32,944, which is included in employee benefits, for the year ended December 31, 2012.

Note 13 – Concentrations

The Organization depends solely upon the residents and businesses of Mobile, Washington, and Clarke counties for its public support. The top 50 supporters are responsible for a significant portion of the revenue.

The Organization maintains cash balances at several financial institutions located in Alabama. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2012, there were no uninsured cash account balances. Effective January 1, 2013, non-interest bearing transaction accounts are no longer fully insured by the FDIC and will be limited to the standard deposit insurance amount of \$250,000 per depositor. Under the new federal insured limitations \$616,110 will be considered uninsured as of January 1, 2013.

Note 14 – Operating lease

The Organization is under an equipment lease that expires August 15, 2016. Future minimum rental payments are as follows:

2013	\$ 14,724
2014	14,724
2015	14,724
2016	9,816
<hr/>	
Total	<u>\$ 53,988</u>