

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

December 31, 2020 and 2019

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Southwest Virginia, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Southwest Virginia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southwest Virginia, Inc. as of December 31, 2020 and 2019, 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.

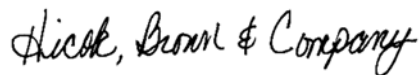
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2021, on our consideration of United Way of Southwest Virginia, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Southwest Virginia, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Southwest Virginia, Inc.'s internal control over financial reporting and compliance.



Hicok, Brown & Company
Certified Public Accountants
Abingdon, Virginia

August 15, 2021

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Directors of
United Way of Southwest Virginia, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Southwest Virginia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Southwest Virginia, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Southwest Virginia, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way of Southwest Virginia, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

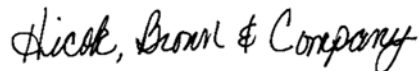
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Southwest Virginia, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hicok, Brown & Company
Certified Public Accountants
Abingdon, Virginia

August 15, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
United Way of Southwest Virginia, Inc.

Report on Compliance for Each Major Federal Program

We have audited United Way of Southwest Virginia, Inc's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way of Southwest Virginia, Inc's major federal programs for the year ended December 31, 2020. United Way of Southwest Virginia, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of United Way of Southwest Virginia, Inc's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way of Southwest Virginia, Inc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way of Southwest Virginia, Inc's compliance.

Opinion on Each Major Federal Program

In our opinion, United Way of Southwest Virginia, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

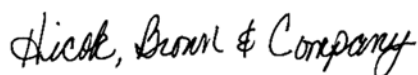
Report on Internal Control Over Compliance

Management of United Way of Southwest Virginia, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way of Southwest Virginia, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way of Southwest Virginia, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hicok, Brown & Company

Certified Public Accountants

Abingdon, Virginia

August 15, 2021

United Way of Southwest Virginia, Inc.
Statements of Financial Position
At December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,219,095	\$ 439,280
Certificates of deposit	-	239,658
Pledges receivable, net	660,022	752,970
Grants receivable	267,887	302,213
Prepaid expenses	56,645	22,154
Property and equipment, net	<u>981,332</u>	<u>1,008,370</u>
Total assets	<u>\$ 3,184,981</u>	<u>\$ 2,764,645</u>
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Designations payable to non-member agencies	\$ 64,889	\$ 66,121
Accounts payable and accrued expenses	192,421	102,724
Notes payable	<u>644,582</u>	<u>662,238</u>
Total liabilities	<u>901,892</u>	<u>831,083</u>
Net Assets:		
Without donor restrictions	1,910,059	1,836,179
With donor restrictions	<u>373,030</u>	<u>97,383</u>
Total net assets	<u>2,283,089</u>	<u>1,933,562</u>
Total liabilities & net assets	<u>\$ 3,184,981</u>	<u>\$ 2,764,645</u>

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Virginia, Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>CAMPAIGN RESULTS AND OTHER SUPPORT</u>			
Campaign results:			
Campaign contributions	\$ 579,641	\$ 1,408,813	\$ 1,988,454
Less: donor designations	-	(64,889)	(64,889)
Change in discounts and allowances	-	3,297	3,297
Net campaign results	<u>579,641</u>	<u>1,347,221</u>	<u>1,926,862</u>
Federal, state and local grants	-	2,151,122	2,151,122
Contract services	125,000	-	125,000
Interest income	6,674	-	6,674
Donated services and materials	110,750	-	110,750
Miscellaneous income	4,647	-	4,647
Net assets released from restriction	<u>3,222,696</u>	<u>(3,222,696)</u>	<u>-</u>
Total campaign results and other support	<u>4,049,408</u>	<u>275,647</u>	<u>4,325,055</u>
<u>EXPENSES</u>			
Program expenses:			
Grants and other assistance	1,650,177	-	1,650,177
Community and agency services provided	1,820,610	-	1,820,610
Total program expenses	<u>3,470,787</u>	<u>-</u>	<u>3,470,787</u>
Support services:			
Management and general	133,764	-	133,764
Fundraising	344,270	-	344,270
United Way Dues	26,707	-	26,707
Total support services expenses	<u>504,741</u>	<u>-</u>	<u>504,741</u>
Total expenses	<u>3,975,528</u>	<u>-</u>	<u>3,975,528</u>
CHANGE IN NET ASSETS	73,880	275,647	349,527
NET ASSETS, Beginning of the year	<u>1,836,179</u>	<u>97,383</u>	<u>1,933,562</u>
NET ASSETS, End of the year	\$ 1,910,059	\$ 373,030	\$ 2,283,089

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Virginia, Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

		2019	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>CAMPAIGN RESULTS AND OTHER SUPPORT</u>			
Campaign results:			
Campaign contributions	\$ 780,417	\$ 451,527	\$ 1,231,944
Less: donor designations	-	(66,121)	(66,121)
Change in discounts and allowances	-	2,292	2,292
Net campaign results	<u>780,417</u>	<u>387,698</u>	<u>1,168,115</u>
Federal, state and local grants	-	1,070,136	1,070,136
Contract services	158,003	-	158,003
Interest income	5,517	-	5,517
Donated services and materials	52,729	-	52,729
Miscellaneous income	21,551	-	3,551
Net assets released from restriction	<u>1,495,118</u>	<u>(1,495,118)</u>	<u>-</u>
Total campaign results and other support	<u>2,513,335</u>	<u>(37,284)</u>	<u>2,476,051</u>
<u>EXPENSES</u>			
Program expenses:			
Grants and other assistance	440,982	-	440,982
Community and agency services provided	<u>1,674,875</u>	<u>-</u>	<u>1,674,875</u>
Total program expenses	<u>2,115,857</u>	<u>-</u>	<u>2,115,857</u>
Support services:			
Management and general	115,911	-	115,911
Fundraising	318,635	-	318,635
United Way Dues	<u>20,468</u>	<u>-</u>	<u>20,468</u>
Total support services expenses	<u>455,014</u>	<u>-</u>	<u>455,014</u>
Total expenses	<u>2,570,871</u>	<u>-</u>	<u>2,570,871</u>
CHANGE IN NET ASSETS	(57,536)	(37,284)	(94,820)
NET ASSETS, Beginning of the year	<u>1,893,715</u>	<u>134,667</u>	<u>2,028,382</u>
NET ASSETS, End of the year	<u>\$ 1,836,179</u>	<u>\$ 97,383</u>	<u>\$ 1,933,562</u>

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Virginia, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

Classification	2020			
	Support Services			Totals
	Program	Management & General	Fundraising	
Grants and other assistance:				
Grants and other assistance	\$ 1,604,316	\$ -	\$ -	\$ 1,604,316
Donated materials and services	110,750	-	-	110,750
Less: Donor designations	(64,889)	-	-	(64,889)
Net grants and other assistance	<u>1,650,177</u>	<u>-</u>	<u>-</u>	<u>1,650,177</u>
Payroll expenses:				
Salaries and wages	1,072,582	78,194	189,951	1,340,727
Employee benefits	127,954	7,997	23,991	159,942
Payroll taxes	83,328	5,208	15,624	104,160
Total payroll expenses	<u>1,283,864</u>	<u>91,399</u>	<u>229,566</u>	<u>1,604,829</u>
Other expenses:				
Management	83,239	-	-	83,239
Legal and accounting	17,500	2,500	5,000	25,000
Other fees for services	47,559	1,321	3,963	52,843
Advertising and promotion	12,049	431	4,733	17,213
Office expenses	67,022	2,234	20,107	89,363
Information technology	41,420	1,298	9,085	51,803
Occupancy	53,923	3,370	10,111	67,404
Travel	6,593	277	4,158	11,028
Conferences and meetings	7,169	239	2,151	9,559
Depreciation	21,630	2,704	2,704	27,038
Insurance	778	97	97	972
Uncollectible pledge expense	76,854	9,607	9,607	96,068
Public education & engagement	9,198	328	3,614	13,140
Provider trainings	67,692	2,256	20,308	90,256
Professional development	12,616	421	3,784	16,821
Miscellaneous expense	11,504	15,282	15,282	42,068
Total other expenses	<u>536,746</u>	<u>42,365</u>	<u>114,704</u>	<u>693,815</u>
Total operating expenses	<u>3,470,787</u>	<u>133,764</u>	<u>344,270</u>	<u>3,948,821</u>
Unallocated payments to national organization	<u>-</u>	<u>26,707</u>	<u>-</u>	<u>26,707</u>
Total expenses	<u>\$ 3,470,787</u>	<u>\$ 160,471</u>	<u>\$ 344,270</u>	<u>\$ 3,975,528</u>

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Virginia, Inc.
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

Classification	2019			
	Program	Support Services		Totals
		Management & General	Fundraising	
Grants and other assistance:				
Grants and other assistance	\$ 454,374	\$ -	\$ -	\$ 454,374
Donated materials and services	52,729	-	-	52,729
Less: Donor designations	(66,121)	-	-	(66,121)
Net grants and other assistance	440,982	-	-	440,982
Payroll expenses:				
Salaries and wages	920,893	68,390	161,832	1,151,115
Employee benefits	64,664	4,042	12,125	80,831
Payroll taxes	72,706	4,544	13,632	90,882
Total payroll expenses	1,058,263	76,976	187,589	1,322,828
Other expenses:				
Management	81,694	-	-	81,694
Legal and accounting	14,922	3,731	6,218	24,871
Other fees for services	73,444	2,040	6,120	81,604
Advertising and promotion	14,376	513	5,648	20,537
Office expenses	38,590	2,573	10,291	51,454
Information technology	33,286	1,040	7,281	41,607
Occupancy	51,392	6,852	10,278	68,522
Travel	32,121	1,338	20,076	53,535
Conferences and meetings	56,701	1,890	17,010	75,601
Depreciation	22,093	2,762	2,762	27,617
Insurance	1,591	199	199	1,989
Uncollectible pledge expense	70,740	8,842	8,842	88,424
Public education & engagement	11,803	422	4,637	16,862
Provider trainings	85,734	2,858	25,720	114,312
Professional development	7,831	261	2,350	10,442
Miscellaneous expense	20,294	3,614	3,614	27,522
Total other expenses	616,612	38,935	131,046	786,593
Total operating expenses	2,115,857	115,911	318,635	2,550,403
Unallocated payments to national organization	-	20,468	-	20,468
Total expenses	\$ 2,115,857	\$ 136,379	\$ 318,635	\$ 2,570,871

The Notes to Financial Statements are an integral part of this statement.

United Way of Southwest Virginia, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 349,527	\$ (94,820)
Adjustment to reconcile changes in net cash used in operating activities:		
Depreciation	27,038	27,617
Uncollectible pledges	92,770	86,132
Changes in operating assets and liabilities:		
Pledges receivable	178	59,038
Grants receivable	34,326	(87,757)
Prepaid expenses and other current assets	(34,491)	4,675
Allocations payable	-	(40,226)
Designations payable	(1,232)	18,447
Accounts payable and accrued expenses	89,697	(3,597)
Net cash provided (used) by operating activities	<u>557,813</u>	<u>(30,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of certificates of deposit	241,334	-
Reinvestment in certificates of deposit	(1,676)	(3,326)
Sale of investment from 2018 acquisition	-	8,085
Disposal or sale of fixed assets	-	5,739
Purchase of fixed assets	-	(23,404)
Net cash provided (used) by investing activities	<u>239,658</u>	<u>(12,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(17,656)	(16,127)
Net cash provided (used) by financing activities	<u>(17,656)</u>	<u>(16,127)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	779,815	(59,524)
CASH AND CASH EQUIVALENTS, Beginning	<u>439,280</u>	<u>498,804</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,219,095</u>	<u>\$ 439,280</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 25,311</u>	<u>\$ 26,841</u>

The Notes to Financial Statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

United Way of Southwest Virginia, Inc. ("the Organization") is a nonprofit corporation working to improve the health, education and financial stability of every person in Southwest Virginia because they are the building blocks for a good quality of life. Through an initiative-based cradle-to-career approach, United Way of Southwest Virginia is creating sustainable solutions to address the challenges facing tomorrow's workforce. United Way convenes cross-sector partners to make an impact on the most complex problems in the region. Through collaboration with government, business, nonprofit and individuals, United Way innovates for positive, lasting social change. With a footprint that covers nearly 20% of the state of Virginia, United Way of Southwest Virginia programs and initiatives serve the counties of Bland, Buchanan, Carroll, Dickenson, Floyd, Giles, Grayson, Lee, Montgomery, Pulaski, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe, and the cities of Bristol, Galax, Norton, and Radford.

Basis of Accounting

The Organization uses the accrual method of accounting for financial reporting. Under this method, revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned or incurred.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standard Boards Accounting Standards Codification (ASC) 958, "Not-for-Profit Entities." Under ASC 958, the Organization is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets With Donor Restrictions - The part of the net assets of the Organization resulting (a) from inflows of assets whose use by the Organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to, or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Net Assets Without Donor Restrictions - The part of net assets of the Organization that is not restricted by donor or grantor-imposed stipulations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization reports grants and campaign contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the funds. When the donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash & Cash Equivalents

Cash equivalents consist of highly liquid short-term investments with an initial maturity of three months or less. At December 31, 2020 and December 31, 2019, \$1,050,172 and \$386,389, respectively, was in excess of Federal Deposit Insurance Company (FDIC) coverage.

Certificates of Deposit

FDIC insured certificates of deposit are stated at cost plus accrued interest.

Donated Service and Materials

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services. However, for financial statement reporting under FASB *Accounting Standards Codification 958, Not-for-Profit Entities*, only in-kind income for property, rent, and professional services are reflected.

The Organization recognized income of \$110,750 and \$52,729 in 2020 and 2019, respectively. Of that amount, \$0 and \$44,112 was donated materials for the respective years. The Organization forwards the materials to other organizations.

Pledges Receivable, Allocations, and Designations

Contributions are recognized as revenue when the donor makes a written promise to give. Allocations to agencies approved prior to the allocation year are deducted from annual campaign support designated for future periods and are reported as liabilities until paid. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable are expected to be received within one year. Pledges that were raised by the Organization but shall be paid directly to the designated agency by the Organization totaled \$64,889 and \$66,121 at December 31, 2020 and 2019, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Accounts

An allowance for uncollectible pledges is provided based upon management's judgment including such factors as prior collection history and type of contribution. Generally, uncollected pledges not received within 45 days after year end are charged off. The allowance for uncollectible pledges was \$90,000 and \$90,000 as of December 31, 2020 and 2019, respectively.

Grants Receivable

The Organization receives grants from federal and state agencies, as well as from local organizations, to be used for specific purposes. The excess of reimbursable expenditures over cash receipts is included in Grants Receivable. Any excess of cash receipts over reimbursement expenditures is included in net assets with donor restrictions.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated useful lives, which range from 5 to 40 years. Donations of property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Designations Payable

Donors can choose to designate their campaign contributions to a specific organization or another United Way chapter. These contributions are recorded as donor designations. The collection of these contributions and distribution to the specified agencies are transactions in which the Organization is acting as an agent. These transactions are not reported as revenue and expense in the statement of activities; instead, such transactions are included in the statement of activities as campaign contributions and then deducted as donor designated contributions before arriving at campaign contribution revenue.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities. No provision for income taxes has been provided due to the Organization's tax-exempt status.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The Organization allocates costs among program and support functions based on natural classification and budget allocations. The Organization bases its budget allocations on prior years' experience and future expectations.

Use of Estimates and Other Uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangibles; and valuation allowances for receivables. Accordingly, actual results could differ from those estimates.

Due to changes in the local economy from the COVID-19 pandemic, some contributions pledged during the 2020 campaign may not be received during 2021. Other negative concerns of the pandemic may affect the Organization, but these are not estimable.

Advertising Costs

The advertising costs of the Organization are expensed as incurred. Advertising expenses totaled \$17,213 and \$20,537 in 2020 and 2019, respectively.

Contract Services

The Organization recognizes contract service revenue when it earns fees for services provided to other organizations. The Organization provides its expertise in community programs and grant management to help other organizations meet local service needs. For example, the Organization may train program staff, facilitate coordination efforts, or analyze regional trends.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Organization adopted the standard on January 1, 2020. The Organization's revenue is generated primarily all from grants and contributions with no commensurate value provided to the grantor; as there is no exchange of commensurate value, the grants and contributions are accounted for under the purview of ASC 958. Due to the nature of operations and timing of revenue recognition, there was no material impact of adopting ASU 2014-09.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*, which requires recognition of lease assets and lease liabilities. The ASU is effective for years beginning after December 15, 2021 and is not expected to have a significant impact on the Organization's financial statements.

In June 2018, the FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities*, which clarifies guidance on whether a transfer of assets is a contribution or an exchange transaction. The Organization implemented this update as of January 1, 2020. The adoption had no significant impact on the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization meets cash needs for expenditures with grants and campaign contributions received throughout the year. Grants are for specific programs and are not available for general expenditures. Campaign and annuity pledges may be restricted by donors. The Board has not imposed limits on the use of resources without donor-imposed restrictions.

The Organization considers the following financial assets to be available within one year:

Available Financial Assets	2020	2019
Cash and cash equivalents	\$ 1,219,095	\$ 439,280
Less: advance grant funds	(88,842)	(1,134)
Certificates of deposit	-	239,658
Pledges receivable, net	660,022	752,970
Less: pledge annuities without restrictions due in one to five years	-	(6,738)
Less: pledges with donor restrictions	(402,420)	(162,370)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,387,855</u>	<u>\$ 1,261,666</u>

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at December 31, 2020 and December 31, 2019 are as follows:

Description	2020	2019
Due in less than one year	\$ 700,022	\$ 789,529
Due in one to five years	50,000	56,738
Discount on pledges receivable	-	(3,297)
Allowance for uncollectible pledges	(90,000)	(90,000)
Pledges receivable, net	<u>\$ 660,022</u>	<u>\$ 752,970</u>

Pledges receivable includes pledge annuities totaling \$81,738 and \$88,476 at December 31, 2020 and 2019, respectively, which were discounted at an effective interest rate of 0% and 2% for the respective years and were discounted using IRS Section 7520 interest rates.

NOTE 4 – PROPERTY AND EQUIPMENT

The Organization capitalizes all property and equipment with a cost basis of \$2,500 or greater. The Organization did not acquire property or equipment with federal funds for the years ending December 31, 2020 and 2019. For those same years, the Organization did not dispose of property or equipment which were purchased with federal funds.

Depreciation for fixed assets has been provided over the estimated useful lives using the straight-line method. Depreciation and amortization for the period ended December 31, 2020 and December 31, 2019 amounted to \$27,038 and \$27,617, respectively.

Property and equipment consist of the following at year-end:

Property and Equipment	2020	2019
Land	\$ 412,316	\$ 412,316
Buildings and improvements	667,049	667,049
Furniture and equipment	6,904	6,904
Vehicles	<u>46,645</u>	<u>46,645</u>
Total property and equipment	1,132,914	1,132,914
Less: accumulated depreciation	<u>(151,582)</u>	<u>(124,544)</u>
Property and equipment, net	<u>\$ 981,332</u>	<u>\$ 1,008,370</u>

NOTE 5 – NOTES PAYABLE

Notes payable consists of the following at December 31:

Note Description	2020	2019
Highlands Union Bank (now First Community Bank) for \$750,000 to purchase real property to be used for the Organization's office space with an interest rate of 4.00% and monthly payments of principal and interest of \$3,580.61 with a balloon payment due in December 2023.	\$ 644,582	\$ 662,238
Total notes payable	644,582	662,238
Less: current maturities	(17,467)	(16,784)
Total long-term notes payable	<u>\$ 627,115</u>	<u>\$ 645,454</u>

Maturities of notes payable are as follows:

Year Ending December 31,	Principal	Interest
2021	17,467	25,500
2022	18,179	24,788
2023	608,936	24,048
Total	<u>\$ 644,582</u>	<u>\$ 74,336</u>

The Organization received \$268,500 in Paycheck Protection Program (PPP) funds during 2020, which was forgiven in March 2021. This amount has been shown as revenue for 2020 since the amounts were expended in accordance with the stipulations set forth by the Small Business Administration before December 31, 2020.

NOTE 6 – RESTRICTIONS ON NET ASSETS

Campaign contributions are received primarily from local businesses and individuals to support the community programs operated by the Organization. The donor may restrict their contribution to a specific program or geographic region. They may also designate their contributions for a specific organization or another United Way chapter. The Organization considers these restrictions satisfied when it expends or remits funds in accordance with the restriction.

Grant funds are restricted for each grants' stated purpose. Grant funds in excess of grant expenses are similarly restricted. The Organization considers these restrictions satisfied when it expends funds in accordance with grant purpose.

NOTE 6 – RESTRICTIONS ON NET ASSETS (CONTINUED)

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

<u>Net assets with donor restrictions</u>	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
Contribution program/locality designation	\$ 402,420	\$ 162,370
Less: designations payable	(64,889)	(66,121)
Grant program funds	<u>35,499</u>	<u>1,134</u>
Total net assets with donor restrictions	<u>\$ 373,030</u>	<u>\$ 97,383</u>

NOTE 7 – RETIREMENT PLAN

The Organization established a SIMPLE IRA plan effective January 1, 2009. Employees may elect to contribute a percentage of their compensation on a pre-tax basis. The Organization contributes matching contributions on a dollar-for-dollar basis between 1% and 3% of the employee's compensation. Under the plan, the Organization cannot contribute less than 3% for more than two out of every five years. Retirement expense for the years ended December 31, 2020 and December 31, 2019 was \$34,094 and \$26,767, respectively.

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments under FASB Codification 825-10, *Disclosures About Fair Value of Financial Instruments*, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

The carrying amounts of cash, certificates of deposit, receivables, prepaids, accrued liabilities, and payables on the statement of financial position approximate fair value due to the short-term nature of these items.

The carrying value of notes payable approximate fair value due to valuation with comparable interest rates using Level 1 Inputs.

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through corroboration with observable market data. Level 2 inputs include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs used to measure fair value to the extent that observable inputs are not available and that are supported by little or no market activity for the asset or liability at the measurement date.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of August 15, 2021, which is the date the financial statements were available to be issued.

United Way of Southwest Virginia, Inc.
Abingdon, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

FEDERAL GRANT/PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
DEPARTMENT OF THE TREASURY		
Coronavirus Relief Fund	21.019 *	\$ 433,600
Department Total		<u>433,600</u>
APPALACHIAN REGIONAL COMMISSION (ARC)		
Appalachian Area Development	23.002	<u>51,128</u>
Department Total		<u>51,128</u>
SMALL BUSINESS ADMINISTRATION		
Paycheck Protection Program	59.073	<u>268,500</u>
Department Total		<u>268,500</u>
DEPARTMENT OF EDUCATION		
Governor's Emergency Education Relief	84.425C	<u>160,952</u>
Department Total		<u>160,952</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Substance Abuse and Mental Health Services Projects	93.243	919
<i>Child Care and Development Fund Cluster:</i>		
Child Care and Development Block Grant	93.575 *	889,157
Maternal and Child Health Services Block Grant to the States	93.994	<u>62,549</u>
Department Total		<u>952,625</u>
Passed Through the Virginia Early Childhood Foundation		
Foundation Preschool Development Grant	93.434	<u>432,255</u>
Department Total		<u>432,255</u>
TOTAL FEDERAL ASSISTANCE		<u>\$ 2,299,060</u>

*Denotes Major Program

Basis of Accounting

This schedule of expenditures of federal awards includes the federal award activity of United Way of Southwest Virginia under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200 Uniform Administrative Requirement, Cost Principle and Audit Requirement for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operation of the Program, it is not intended to and does not present the financial position, changes in net assets or cash flows of United Way of Southwest Virginia.

Summary of Significant Accounting Policies

Expenditures on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Indirect Cost Rate

United Way of Southwest Virginia has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

United Way of Southwest Virginia, Inc.
Abingdon, Virginia
Schedule of Findings, Responsess and Questioned Costs
For December 31, 2020

I. SUMMARY OF AUDIT RESULTS:

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material Weakness(es) identified?	No
Significant deficiency(es) identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material Weakness(es) identified?	No
Significant deficiency(es) identified?	No
Type of auditor's report issued on compliance for major program?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Identification of major programs:

<u>Name of Program</u>	<u>Catalog Number</u>	<u>Findings or Questioned Costs</u>
Coronavirus Relief Fund	21.019	No
Child Care And Development Block Grant	93.575	No