

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2021 and December 31, 2020

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

FINANCIAL REPORT

PERIODS ENDED JUNE 30, 2021 AND DECEMBER 31, 2020

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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 statement of financial position as of June 30, 2021 and December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the six and twelve-month periods 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 June 30, 2021 and December 31, 2020, and the changes in its net assets and its cash flows for the six and twelve-month periods then ended in accordance with accounting principles generally accepted in the United States of America.

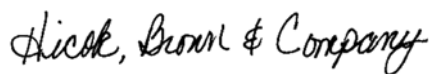
Other Matters

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 February 15, 2022, 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

March 8, 2022

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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 statement of financial position as of June 30, 2021 and December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the six and twelve-month periods then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2022.

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 the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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

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Certified Public Accountants

March 8, 2022

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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 Directors 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 six months ended June 30, 2021. 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 six months ended June 30, 2021.

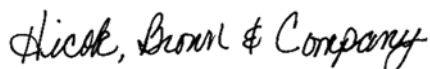
Report on Internal Control Over Compliance

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

March 8, 2022

United Way of Southwest Virginia, Inc.
 Statements of Financial Position
 At June 30, 2021 and December 31, 2020

| | <u>June 30,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|---|--------------------------------|------------------------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 839,843 | \$ 1,219,095 |
| Pledges receivable, net | 326,568 | 660,022 |
| Grants receivable | 711,447 | 267,887 |
| Prepaid expenses | 59,855 | 56,645 |
| Property and equipment, net | <u>1,000,291</u> | <u>981,332</u> |
| Total assets | <u><u>\$ 2,938,004</u></u> | <u><u>\$ 3,184,981</u></u> |
| <u>LIABILITIES & NET ASSETS</u> | | |
| Liabilities: | | |
| Designations payable to non-member agencies | \$ - | \$ 64,889 |
| Accounts payable and accrued expenses | 269,913 | 192,421 |
| Notes payable | <u>636,354</u> | <u>644,582</u> |
| Total liabilities | <u>906,267</u> | <u>901,892</u> |
| Net Assets: | | |
| Without donor restrictions, restated | 1,922,402 | 1,910,059 |
| With donor restrictions | <u>109,335</u> | <u>373,030</u> |
| Total net assets | <u>2,031,737</u> | <u>2,283,089</u> |
| Total liabilities & net assets | <u><u>\$ 2,938,004</u></u> | <u><u>\$ 3,184,981</u></u> |

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

United Way of Southwest Virginia, Inc.
 Statements of Activities
 For the Periods Ended June 30, 2021 and December 31, 2020

| | Six-month period ended June 30, 2021 | | |
|--|--------------------------------------|-------------------------------|---------------------|
| | WITHOUT DONOR RESTRICTIONS | WITH DONOR RESTRICTIONS | TOTAL |
| <u>CAMPAIGN RESULTS AND OTHER SUPPORT</u> | | | |
| Campaign results: | | | |
| Campaign contributions | \$ 74,143 | \$ 7,628 | \$ 81,771 |
| Less: donor designations | - | - | - |
| Change in discounts and allowances | - | - | - |
| Net campaign results | <u>74,143</u> | <u>7,628</u> | <u>81,771</u> |
| Federal, state, and local grants | - | 4,394,831 | 4,394,831 |
| Contract services | 50,000 | - | 50,000 |
| Interest income | 3,197 | - | 3,197 |
| Donated services and materials | 4,760 | - | 4,760 |
| Miscellaneous income | 1,834 | - | 1,834 |
| Net assets released from restriction | <u>4,666,154</u> | <u>(4,666,154)</u> | <u>-</u> |
| Total campaign results and other support | <u>4,800,088</u> | <u>(263,695)</u> | <u>4,536,393</u> |
| <u>EXPENSES</u> | | | |
| Program expenses: | | | |
| Grants and other assistance | 3,264,196 | - | 3,264,196 |
| Community and agency services provided | 1,196,249 | - | 1,196,249 |
| Total program expenses | <u>4,460,445</u> | <u>-</u> | <u>4,460,445</u> |
| Support services: | | | |
| Management and general | 73,729 | - | 73,729 |
| Fundraising | 235,075 | - | 235,075 |
| United Way Dues | 18,496 | - | 18,496 |
| Total support services expenses | <u>327,300</u> | <u>-</u> | <u>327,300</u> |
| Total expenses | <u>4,787,745</u> | <u>-</u> | <u>4,787,745</u> |
| CHANGE IN NET ASSETS | 12,343 | (263,695) | (251,352) |
| NET ASSETS, Beginning of the year | <u>1,910,059</u> | <u>373,030</u> | <u>2,283,089</u> |
| NET ASSETS, End of the year | <u>\$ 1,922,402</u> | <u>\$ 109,335</u> | <u>\$ 2,031,737</u> |

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

United Way of Southwest Virginia, Inc.
 Statements of Activities
 For the Periods Ended June 30, 2021 and December 31, 2020

| | <u>Twelve-month period ended December 31, 2020</u> | | |
|--|--|--|---------------------|
| | <u>WITHOUT DONOR RESTRICTIONS</u> | <u>WITH DONOR RESTRICTIONS</u> | <u>TOTAL</u> |
| <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 | <u>\$ 1,910,059</u> | <u>\$ 373,030</u> | <u>\$ 2,283,089</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 Periods Ended June 30, 2021 and December 31, 2020

| Classification | Six-month period ended June 30, 2021 | | | Totals |
|---|--------------------------------------|-------------------------|-------------------|---------------------|
| | Support Services | | | |
| | Program | Management & General | Fundraising | |
| Grants and other assistance: | | | | |
| Grants and other assistance | \$ 3,259,436 | \$ - | \$ - | \$ 3,259,436 |
| Donated materials and services | 4,760 | - | - | 4,760 |
| Less: Donor designations | - | - | - | - |
| Net grants and other assistance | <u>3,264,196</u> | <u>-</u> | <u>-</u> | <u>3,264,196</u> |
| Payroll expenses: | | | | |
| Salaries and wages | 652,673 | 47,138 | 116,030 | 815,841 |
| Employee benefits | 99,522 | 6,220 | 18,660 | 124,402 |
| Payroll taxes | 51,415 | 3,213 | 9,640 | 64,268 |
| Total payroll expenses | <u>803,610</u> | <u>56,571</u> | <u>144,330</u> | <u>1,004,511</u> |
| Other expenses: | | | | |
| Management | 36,035 | - | - | 36,035 |
| Legal and accounting | 1,750 | 250 | 500 | 2,500 |
| Other fees for services | 86,512 | 2,403 | 7,209 | 96,124 |
| Advertising and promotion | 11,693 | 418 | 4,594 | 16,705 |
| Office expenses | 61,479 | 2,049 | 18,444 | 81,972 |
| Information technology | 74,178 | 2,318 | 16,226 | 92,722 |
| Occupancy | 50,605 | 3,163 | 9,488 | 63,256 |
| Travel | 5,637 | 235 | 3,523 | 9,395 |
| Conferences and meetings | 2,583 | 861 | 7,748 | 11,192 |
| Depreciation | 10,244 | 1,281 | 1,281 | 12,806 |
| Insurance | 900 | 113 | 113 | 1,126 |
| Uncollectible pledge expense | - | - | 17,552 | 17,552 |
| Public education & engagement | - | - | - | - |
| Provider trainings | 6,714 | - | - | 6,714 |
| Professional development | 16,530 | - | - | 16,530 |
| Miscellaneous expense | 27,779 | 4,067 | 4,067 | 35,913 |
| Total other expenses | <u>392,639</u> | <u>17,158</u> | <u>90,745</u> | <u>500,542</u> |
| Total operating expenses | <u>4,460,445</u> | <u>73,729</u> | <u>235,075</u> | <u>4,769,249</u> |
| Unallocated payments to national organization | <u>-</u> | <u>18,496</u> | <u>-</u> | <u>18,496</u> |
| Total expenses | <u>\$ 4,460,445</u> | <u>\$ 92,225</u> | <u>\$ 235,075</u> | <u>\$ 4,787,745</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 Periods Ended June 30, 2021 and December 31, 2020

| Classification | Twelve-month period ended December 31, 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 Cash Flows
 For the Periods Ended June 30, 2021 and December 31, 2020

| | Six-month period ended June 30, 2021 | Twelve-month period ended December 31, 2020 |
|--|---|--|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Change in net assets | \$ (251,352) | \$ 349,527 |
| Adjustment to reconcile changes in net cash used in operating activities: | | |
| Depreciation | 12,805 | 27,038 |
| Uncollectible pledges | 17,552 | 92,770 |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 315,902 | 178 |
| Grants receivable | (443,560) | 34,326 |
| Prepaid expenses and other current assets | (3,210) | (34,491) |
| Designations payable | (64,889) | (1,232) |
| Accounts payable and accrued expenses | 77,492 | 89,697 |
| Net cash provided (used) by operating activities | <u>(339,260)</u> | <u>557,813</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Redemption of certificates of deposit | - | 241,334 |
| Reinvestment in certificates of deposit | - | (1,676) |
| Purchase of fixed assets | (31,764) | - |
| Net cash provided (used) by investing activities | <u>(31,764)</u> | <u>239,658</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| Principal payments on mortgage notes payable | (8,228) | (17,656) |
| Net cash provided (used) by financing activities | <u>(8,228)</u> | <u>(17,656)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (379,252) | 779,815 |
| CASH AND CASH EQUIVALENTS, Beginning | <u>1,219,095</u> | <u>439,280</u> |
| CASH AND CASH EQUIVALENTS, Ending | <u>\$ 839,843</u> | <u>\$ 1,219,095</u> |
| <u>SUPPLEMENTAL DISCLOSURES</u> | | |
| Cash paid for interest | <u>\$ 13,256</u> | <u>\$ 25,311</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.

During 2021, the Organization changed its year-end from December 31 to June 30. Thus, the statements of activities, functional expenses, and cash flows may not be comparable for these periods.

Cash & Cash Equivalents

Cash equivalents consist of highly liquid short-term investments with an initial maturity of three months or less. At June 30, 2021 and December 31, 2020, \$1,151,837 and \$1,050,172, respectively, was in excess of Federal Deposit Insurance Company (FDIC) coverage.

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 for donated services of \$4,760 and \$110,750 as of June 30, 2021 and December 31, 2020, respectively.

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 \$0 and \$64,889 at June 30, 2021 and December 31, 2020, respectively.

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 the year in which they were expected to be received are charged off. The allowance for uncollectible pledges was \$90,000 and \$90,000 as of June 30, 2021 and December 31, 2020, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 prior campaigns may not be received during the current year. 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 \$16,705 and \$17,213 in 2021 and 2020, 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 | June 30, 2021 | December 31, 2020 |
|---|------------------|----------------------|
| Cash and cash equivalents | \$ 839,843 | \$ 1,219,095 |
| Less: advance grant funds | (129,355) | (88,482) |
| Pledges receivable, net | 326,568 | 660,022 |
| Less: pledges with donor restrictions | (238,142) | (402,420) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 798,914 | \$ 1,388,215 |

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 and December 31, 2020 are as follows:

| Description | June 30, 2021 | December 31, 2020 |
|-------------------------------------|------------------|----------------------|
| Due in less than one year | \$ 391,568 | \$ 700,022 |
| Due in two years | 25,000 | 50,000 |
| Allowance for uncollectible pledges | (90,000) | (90,000) |
| Pledges receivable, net | \$ 326,568 | \$ 660,022 |

Pledges receivable includes pledge annuities totaling \$56,738 and \$81,738 at June 30, 2021 and December 31, 2020, respectively. Given the short-term nature of annuities, discounting of receivables was not deemed material; therefore, the receivables were not discounted.

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 periods ending June 30, 2021 and December 31, 2020. 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 June 30, 2021 and December 31, 2020 amounted to \$12,806 and \$27,038, respectively.

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

| Property and Equipment | June 30, 2021 | December 31, 2020 |
|--------------------------------|---------------------|----------------------|
| Land | \$ 412,316 | \$ 412,316 |
| Buildings and improvements | 667,049 | 667,049 |
| Furniture and equipment | 11,104 | 6,904 |
| Vehicles | 46,645 | 46,645 |
| Website design in progress | 27,565 | - |
| Total property and equipment | 1,164,679 | 1,132,914 |
| Less: accumulated depreciation | (164,388) | (151,582) |
| Property and equipment, net | <u>\$ 1,000,291</u> | <u>\$ 981,332</u> |

NOTE 5 – NOTES PAYABLE

Notes payable consists of the following:

| Note Description | June 30, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| In 2013, the Organization entered into a note agreement with 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 | <u>\$ 636,354</u> | <u>\$ 644,582</u> |
| Total notes payable | 636,354 | 644,582 |
| Less: current maturities | (17,837) | (17,467) |
| Total long-term notes payable | <u>\$ 618,517</u> | <u>\$ 627,115</u> |

NOTE 5 – NOTES PAYABLE (CONTINUED)

Maturities of notes payable are as follows:

| Year Ending June 30, | Principal | Interest |
|-------------------------|-------------------|------------------|
| 2022 | 17,837 | 25,129 |
| 2023 | 18,565 | 24,403 |
| 2024 | 599,952 | 11,920 |
| Total | <u>\$ 636,354</u> | <u>\$ 61,452</u> |

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.

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

| | June 30, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| <u>Net assets with donor restrictions</u> | | |
| Subject to expenditure for specified purposes: | | |
| Contribution program/locality designation | \$ 108,785 | \$ 402,420 |
| Less: designations payable | - | (64,889) |
| Grant program funds | <u>550</u> | <u>35,499</u> |
| Total net assets with donor restrictions | <u>\$ 109,335</u> | <u>\$ 373,030</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 periods ended June 30, 2021 and December 31, 2020 was \$21,699 and \$34,094, 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.

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.

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.

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NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of March 8, 2022, which is the date the financial statements were available to be issued.

On February 25, 2022, the Organization refinanced its outstanding notes payable with New Peoples Bank, Inc. for a period of 15 years at a fixed rate of 3%. The note payable is secured by a first lien on the related property. On the same date, the Organization also entered into a revolving line of credit with the same lender for up to \$1 million (subject to the value of the associated collateral). The line of credit is secured by second lien on the Organization's real estate as well as outstanding receivables. The line of credit renews annually and has a variable interest rate based on the U.S. Prime Rate less 0.25%. The line of credit is expected to be used for general working capital and cash management purposes.

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UNITED WAY OF SOUTHWEST VIRGINIA, INC.

SUPPLEMENTARY INFORMATION

June 30, 2021

United Way of Southwest Virginia, Inc.
 Abingdon, Virginia
 Schedule of Expenditures of Federal Awards
 For the Six Months Ended June 30, 2021

| FEDERAL GRANT/PROGRAM TITLE | Pass Through Organization | FEDERAL ASSISTANCE LISTING NUMBER | EXPENDITURES |
|--|--|-----------------------------------|---------------------|
| APPALACHIAN REGIONAL COMMISSION (ARC) | | | |
| Appalachian Area Development | Direct Payment | 23.002 | \$ 50,568 |
| Appalachian Area Development | Emory and Henry College | 23.002 | 40,482 |
| Department Total | | | <u>91,050</u> |
| DEPARTMENT OF EDUCATION | | | |
| Governor's Emergency Education Relief | Virginia Early Childhood Foundation | 84.425C | 487,709 |
| Department Total | | | <u>487,709</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Substance Abuse and Mental Health Services Projects | Virginia Rural Health Association | 93.243 | 15,379 |
| Temporary Assistance for Needy Families | Virginia Early Childhood Foundation | 93.558 | 38,422 |
| Strengthening Public Health Systems and Services | Virginia Early Childhood Foundation | 93.421 | 4,400 |
| Foundation Preschool Development Grant | Virginia Early Childhood Foundation | 93.434 | 467,088 |
| <i>Child Care and Development Fund Cluster:</i> | | | |
| Child Care and Development Block Grant | Virginia Early Childhood Foundation | 93.575 * | 2,708,521 |
| Child Care and Development Block Grant | Virginia Infant & Toddler Specialist Network | 93.575 * | 77,403 |
| Child Care and Development Block Grant | Virginia Department of Education | 93.575 * | 255,303 |
| Total Child Care and Development Fund Cluster: | | | <u>3,041,227</u> |
| Maternal and Child Health Services Block Grant to the States | Virginia Early Childhood Foundation | 93.994 | 24,735 |
| Department Total | | | <u>3,591,251</u> |
| TOTAL FEDERAL ASSISTANCE | | | <u>\$ 4,170,010</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 six months ended June 30, 2021. 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.

Pass-Through Entities

Pass-through entity identifying numbers are presented when available.

Awards to Subrecipients

No awards were passed to subrecipients for the six months ended June 30, 2021.

United Way of Southwest Virginia, Inc.
 Abingdon, Virginia
 Schedule of Findings, Responsess and Questioned Costs
 For June 30, 2021

I. SUMMARY OF AUDIT RESULTS:

FINANCIAL STATEMENTS

| | |
|---|------------|
| Type of auditor's report issued: | Unmodified |
| Prepared in accordance with GAAP | Yes |
| 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 2 CFR section 200.516(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>Assistance Listing Number</u> | <u>Findings</u> | <u>Questioned Cost</u> |
|---|----------------------------------|-----------------|------------------------|
| Child Care And Development Block Grant | 93.575 | None | No |