

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

FINANCIAL REPORT

June 30, 2023 and June 30, 2022

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTORY SECTION</u>	
Title Page	
Table of Contents	
<u>AUDITOR'S REPORT</u>	
Independent Auditor's Report	1
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
<u>COMPLIANCE SECTION</u>	
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23
Schedule of Expenditures of Federal Awards	26
Schedule of Findings, Responses, and Questioned Costs	27
Summary Schedule of Prior Audit Findings	30

David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA^{II},
CVA*



155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: HBC@firmcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

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, 2023 and June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Southwest Virginia, Inc. as of June 30, 2023 and June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the United Way of Southwest Virginia, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Southwest Virginia, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the United Way of Southwest Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Southwest Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited United Way of Southwest Virginia, Inc.'s 2022 financial statements, on which, in our report dated March 8, 2023, we expressed an unmodified opinion. The 2022 financial information is provided for comparative purposes only.

Supplementary 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 schedule of expenditures of federal awards 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 June 17, 2024 on our consideration of the 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.



HBC Certified Public Accountants

Abingdon, Virginia

June 17, 2024

United Way of Southwest Virginia, Inc.
 Statements of Financial Position
 At June 30, 2023 and June 30, 2022

	<u>June 30,</u> <u>2023</u>	<u>June 30,</u> <u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,214,833	\$ 1,352,263
Pledges receivable, net	254,220	343,710
Grants receivable	1,736,645	1,084,150
Prepaid expenses	155,966	131,432
Pledges restricted for investment in property	1,893,489	-
Property and equipment, net	<u>10,515,808</u>	<u>975,474</u>
Total assets	<u>\$ 18,770,961</u>	<u>\$ 3,887,029</u>
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 400,772	\$ 75,271
Deferred revenue from advance grant funds	3,599,519	427,546
Notes payable, net	3,580,808	617,389
Finance lease liabilities	<u>16,229</u>	<u>-</u>
Total liabilities	<u>7,597,328</u>	<u>1,120,206</u>
Net Assets:		
Without donor restrictions	3,100,008	2,010,051
With donor restrictions	<u>8,073,625</u>	<u>756,772</u>
Total net assets	<u>11,173,633</u>	<u>2,766,823</u>
Total liabilities & net assets	<u>\$ 18,770,961</u>	<u>\$ 3,887,029</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 June 30, 2023 and June 30, 2022

	Year ended June 30, 2023		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>CAMPAIGN RESULTS AND OTHER SUPPORT</u>			
Campaign results:			
Campaign contributions	\$ 721,998	\$ 3,343,590	\$ 4,065,588
Change in discounts and uncollectible pledges	(83,690)	-	(83,690)
Net campaign results	<u>638,308</u>	<u>3,343,590</u>	<u>3,981,898</u>
Federal, state, and local grants	-	6,710,426	6,710,426
Contract services	1,125,015	-	1,125,015
Interest income	62,903	-	62,903
Donated services and property	44,213	5,850,000	5,894,213
Miscellaneous income	15,920	-	15,920
Net assets released from restriction	<u>8,587,163</u>	<u>(8,587,163)</u>	<u>-</u>
Total campaign results and other support	<u>10,473,522</u>	<u>7,316,853</u>	<u>17,790,375</u>
<u>EXPENSES</u>			
Program expenses:			
Grants and other assistance	5,803,546	-	5,803,546
Community and agency services provided	2,974,934	-	2,974,934
Total program expenses	<u>8,778,480</u>	<u>-</u>	<u>8,778,480</u>
Support services:			
Management and general	217,236	-	217,236
Fundraising	367,424	-	367,424
United Way Dues	20,425	-	20,425
Total support services expenses	<u>605,085</u>	<u>-</u>	<u>605,085</u>
Total expenses	<u>9,383,565</u>	<u>-</u>	<u>9,383,565</u>
CHANGE IN NET ASSETS	1,089,957	7,316,853	8,406,810
NET ASSETS, Beginning of the year	<u>2,010,051</u>	<u>756,772</u>	<u>2,766,823</u>
NET ASSETS, End of the year	<u>\$ 3,100,008</u>	<u>\$ 8,073,625</u>	<u>\$ 11,173,633</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 June 30, 2023 and June 30, 2022

	Year ended June 30, 2022		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<u>CAMPAIGN RESULTS AND OTHER SUPPORT</u>			
Campaign results:			
Campaign contributions	\$ 840,621	\$ 1,270,484	\$ 2,111,105
Change in discounts and uncollectible pledges	(103,282)	-	(103,282)
Net campaign results	737,339	1,270,484	2,007,823
Federal, state, and local grants	-	4,932,557	4,932,557
Contract services	87,500	-	87,500
Interest income	7,272	-	7,272
Donated services and property	30,414	-	30,414
Miscellaneous income	9,754	-	9,754
Net assets released from restriction	5,555,604	(5,555,604)	-
Total campaign results and other support	6,427,883	647,437	7,075,320
<u>EXPENSES</u>			
Program expenses:			
Grants and other assistance	3,477,979	-	3,477,979
Community and agency services provided	2,364,944	-	2,364,944
Total program expenses	5,842,923	-	5,842,923
Support services:			
Management and general	171,769	-	171,769
Fundraising	291,709	-	291,709
United Way Dues	33,833	-	33,833
Total support services expenses	497,311	-	497,311
Total expenses	6,340,234	-	6,340,234
CHANGE IN NET ASSETS	87,649	647,437	735,086
NET ASSETS, Beginning of the year	1,922,402	109,335	2,031,737
NET ASSETS, End of the year	\$ 2,010,051	\$ 756,772	\$ 2,766,823

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 June 30, 2023 and June 30, 2022

Classification	Year ended June 30, 2023			Totals
	Program	Support Services		
		Management & General	Fundraising	
Grants and other assistance:				
Grants and other assistance	\$ 5,767,284	\$ -	\$ -	\$ 5,767,284
Donated materials and services	36,262	2,133	4,266	42,661
Net grants and other assistance	<u>5,803,546</u>	<u>2,133</u>	<u>4,266</u>	<u>5,809,945</u>
Payroll expenses:				
Salaries and wages	1,783,719	118,467	204,045	2,106,231
Employee benefits	255,020	15,001	30,002	300,023
Payroll taxes	137,189	8,070	16,140	161,399
Total payroll expenses	<u>2,175,928</u>	<u>141,538</u>	<u>250,187</u>	<u>2,567,653</u>
Other expenses:				
Management	278,062	16,357	32,713	327,132
Legal and accounting	11,050	650	1,300	13,000
Advertising and promotion	63,785	8,503	12,756	85,044
Office expenses	55,606	3,271	6,542	65,419
Information technology	155,307	19,413	19,413	194,133
Occupancy	76,407	6,742	6,742	89,891
Travel	40,032	9,238	12,318	61,588
Conferences and meetings	61,318	4,088	16,352	81,758
Depreciation	32,698	3,847	1,923	38,468
Insurance	3,954	233	465	4,652
Professional development	-	-	-	-
Miscellaneous expense	20,787	1,223	2,447	24,457
Total other expenses	<u>799,006</u>	<u>73,565</u>	<u>112,971</u>	<u>985,542</u>
Total operating expenses	<u>8,778,480</u>	<u>217,236</u>	<u>367,424</u>	<u>9,363,140</u>
Unallocated payments to national organization	<u>-</u>	<u>20,425</u>	<u>-</u>	<u>20,425</u>
Total expenses	<u>\$ 8,778,480</u>	<u>\$ 237,661</u>	<u>\$ 367,424</u>	<u>\$ 9,383,565</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 June 30, 2023 and June 30, 2022

Classification	Year ended June 30, 2022			Totals
	Program	Support Services		
		Management & General	Fundraising	
Grants and other assistance:				
Grants and other assistance	\$ 3,452,127	\$ -	\$ -	\$ 3,452,127
Donated materials and services	25,852	1,521	3,041	30,414
Net grants and other assistance	<u>3,477,979</u>	<u>1,521</u>	<u>3,041</u>	<u>3,482,541</u>
Payroll expenses:				
Salaries and wages	1,420,841	95,301	162,134	1,678,276
Employee benefits	172,335	10,137	20,275	202,747
Payroll taxes	109,680	6,452	12,904	129,036
Total payroll expenses	<u>1,702,856</u>	<u>111,890</u>	<u>195,313</u>	<u>2,010,059</u>
Other expenses:				
Management	203,214	11,954	23,908	239,076
Legal and accounting	33,575	1,975	3,950	39,500
Advertising and promotion	47,940	6,392	9,588	63,920
Office expenses	76,658	4,509	9,019	90,186
Information technology	88,684	11,085	11,085	110,854
Occupancy	67,976	5,998	5,998	79,972
Travel	18,773	4,332	5,776	28,881
Conferences and meetings	71,934	4,796	19,182	95,912
Depreciation	24,239	2,852	1,426	28,517
Insurance	-	2,753	-	2,753
Professional development	21,045	1,238	2,476	24,759
Miscellaneous expense	8,050	474	947	9,471
Total other expenses	<u>662,088</u>	<u>58,358</u>	<u>93,355</u>	<u>813,801</u>
Total operating expenses	<u>5,842,923</u>	<u>171,769</u>	<u>291,709</u>	<u>6,306,401</u>
Unallocated payments to national organization	-	33,833	-	33,833
Total expenses	<u>\$ 5,842,923</u>	<u>\$ 205,602</u>	<u>\$ 291,709</u>	<u>\$ 6,340,234</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, 2023 and June 30, 2022

	Year ended June 30, 2023	Year ended June 30, 2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 8,406,810	\$ 735,086
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	38,468	28,517
Uncollectible pledges	83,690	103,282
Pledges restricted for investment in property	(1,893,489)	-
Non-cash in-kind property contribution	(5,850,000)	-
Changes in operating assets and liabilities:		
Pledges receivable	5,800	(120,424)
Grants receivable	(652,495)	(372,703)
Prepaid expenses and other current assets	(24,534)	(71,577)
Accounts payable and accrued expenses	325,501	(65,287)
Deferred revenue from advance grant funds	3,171,973	298,191
	<u>3,611,724</u>	<u>535,085</u>
Net cash provided (used) by operating activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	<u>(3,710,218)</u>	<u>366</u>
Net cash provided (used) by investing activities	<u>(3,710,218)</u>	<u>366</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from borrowings	3,000,000	-
Principal payments on mortgage notes payable	(36,672)	(18,965)
Capitalized mortgage refinance costs	-	(4,066)
Principal payments on finance lease liabilities	<u>(2,264)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>2,961,064</u>	<u>(23,031)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,862,570	512,420
CASH AND CASH EQUIVALENTS, Beginning	<u>1,352,263</u>	<u>839,843</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 4,214,833</u>	<u>\$ 1,352,263</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 18,413</u>	<u>\$ 23,839</u>
Non-cash financing activities:		
Right of use assets obtained with lease liabilities	18,493	-
Pledges restricted for investment in property	1,893,489	-
Non-cash in-kind property contribution	<u>\$ 5,850,000</u>	<u>\$ -</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.

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 (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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash & Cash Equivalents

Cash and cash equivalents consist of cash held with reputable depository institutions and highly liquid investments with an initial maturity of three months or less. At June 30, 2023 and June 30, 2022, \$987,311 and \$1,078,432, respectively, was in excess of Federal Deposit Insurance Company (FDIC) coverage within the various operating bank accounts. The Organization invests monies not immediately needed in an ICS deposit placement, which will automatically allocate deposits at other financial institutions so that all long-term funds have FDIC coverage.

Donated Service and Property

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 \$44,213 and \$30,414 as of June 30, 2023 and June 30, 2022, respectively. The Organization also received a large in-kind donation of \$5,850,000 as described in Note 6.

Pledges Receivable and Designations

Contributions are recognized as revenue when the donor makes a written promise to give. Most pledges receivable are expected to be received within one year. 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. Contributions designated to a third party agency are excluded from revenue and recognized as liabilities until paid. No designations were owed as of June 30, 2023 and June 30, 2022.

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 one year are written off unless determined to be collectible. The allowance for uncollectible pledges was \$90,000 and \$90,000 as of June 30, 2023 and June 30, 2022, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

The advertising costs of the Organization are expensed as incurred. Advertising expenses totaled \$85,044 and \$63,920 in 2023 and 2022, 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 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which will require financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. This standard will be effective for the fiscal year ending June 30, 2024. The Organization is evaluating the impact of this statement.

NOTE 2 – 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 2 – RESTRICTIONS ON NET ASSETS (CONTINUED)

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

	June 30, 2023	June 30, 2022
Net assets with donor restrictions		
Subject to expenditure for specified purposes:		
Contribution program/locality designation	\$ 8,693,687	\$ 743,059
Grant program funds	12,306	13,713
Total net assets with donor restrictions	<u>\$ 8,705,993</u>	<u>\$ 109,335</u>

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization meets cash needs for expenditures with grants and campaign contributions received throughout the year. Grant funds are either receivables or advances. Receivables reimburse Organization cash expended on grant programs. Advances provide cash which must be expended on grant programs. 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:

	June 30, 2023	June 30, 2022
Available Financial Assets		
Cash and cash equivalents	\$ 4,214,833	\$ 1,352,263
Add: grants receivable	1,736,645	1,084,150
Less: advance grant funds	(3,599,519)	(427,546)
Add: pledges receivable, net	254,200	343,710
Less: pledges with donor restrictions	(30,838)	(250,642)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,575,321</u>	<u>\$ 2,101,935</u>

See Notes 4 and 6 for additional information with respect to the Organization’s plans to raise capital to fund the development of a regional childcare and workforce development center.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2023 and June 30, 2022 are as follows:

Description	June 30, 2023	June 30, 2022
Due in less than one year	\$ 344,220	\$ 433,710
Allowance for uncollectible pledges	(90,000)	(90,000)
Pledges receivable, net	\$ 254,220	\$ 343,710

In addition to the pledges detailed in the table above, the Organization received a \$2,000,000 pledge from one donor expected to be received in 2024 that is restricted for investment in property and equipment in connection with the Organization’s plan to develop a regional childcare and workforce development center. As the pledge was not due within one year, the pledge was recorded at a discount (using a rate of 4.70%). As of June 30, 2023, the carrying amount of the pledge was \$1,893,489 (net of a discount of \$106,511).

NOTE 5 – RETIREMENT PLAN

The Organization established a SIMPLE IRA plan effective 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, 2023 and June 30, 2022 was \$50,527 and \$42,205, respectively.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 6 – 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, 2023 and June 30, 2022. 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, 2023 and June 30, 2022 amounted to \$38,468 and \$28,517, respectively.

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

Property and Equipment	June 30, 2023	June 30, 2022
Land	\$ 2,792,277	\$ 412,316
Buildings and improvements	7,174,254	667,049
Furniture and equipment	107,136	14,804
Vehicles	59,797	46,645
Website design	27,565	27,565
Construction in progress	586,060	-
Total property and equipment	10,747,089	1,168,379
Less: accumulated depreciation	(231,281)	(192,905)
Property and equipment, net	\$ 10,515,808	\$ 975,474

Included in furniture and equipment are right of use assets under financing leases totaling \$18,493 with accumulated amortization of \$2,518 as of June 30, 2023. See Note 8 for more details.

On April 28, 2023, the Organization acquired the former K-Mart facility located at 300 Towne Centre Drive in Abingdon, Virginia. The appraised value of this property totaled \$8,850,000. The Organization financed \$3 million of the purchase price and the remaining \$5.85 million was donated as in-kind from the previous owner, Town Centre of Abingdon, LLC. The Organization has refinanced the \$3 million loan and expects to pay the loan in fiscal year 2025 primarily from charitable contributions (see Note 7 for further information). The Organization intends to redevelop the 87,000sqft facility into a state-of-the-art regional childcare and workforce development center. This center will be part of the Organization's Ready SWVA initiative to serve as the region's anchor institution supporting a regional comprehensive economic development strategy to attract and retain talent to the area. The Organization estimates overall project costs—including purchase of the facility—to range from \$24 million to \$26 million, which are expected to be funded from charitable contributions. The Organization began renovations in October 2023 and the center is expected to open September 2024. As of June 30, 2023, \$586,060 in renovations had been spent on the upgrades to the building in addition to the purchase of the property, with capitalized interest of \$29,196.

United Way of Southwest Virginia, Inc.
Notes to Financial Statements
June 30, 2023 and June 30, 2022

NOTE 7 – NOTES PAYABLE

Notes payable consists of the following:

Note Description	June 30, 2023	June 30, 2022
Mortgage Note Payable - Office Building (New Peoples Bank - 3.0% fixed rate, due February 2037)	\$ 587,512	\$ 621,455
Mortgage Note Payable - Town Centre (New Peoples Bank - variable rate based on U.S. prime rate less 1.5%, ,due August 2024)	3,000,000	-
Mortgage refinance costs	<u>(6,704)</u>	<u>(4,066)</u>
Total notes payable	<u><u>\$ 3,580,808</u></u>	<u><u>\$ 617,389</u></u>

Maturities of notes payable are as follows:

Year Ending June 30,	Principal	Interest	Amortized Costs
2024	38,827	225,936	(3,283)
2025	3,035,355	50,934	(284)
2026	38,792	14,816	(284)
2027	39,972	13,636	(284)
2028	41,188	12,420	(284)
2029-2033	225,510	42,529	(1,418)
2034-2038	167,948	8,450	(947)
Total	<u><u>\$ 3,587,592</u></u>	<u><u>\$ 368,721</u></u>	<u><u>\$ (6,784)</u></u>

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

NOTE 8 – LEASES

The Organization adopted ASC 842, Leases as of July 1, 2022 with no financial statement impact upon adoption. In accordance with ASC 842, the Organization recognizes right of use assets and lease liabilities on its Statement of Financial Position for all leases with a term longer than 12 months. For leases with a term of 12 months or less, no right of use assets or liabilities are recognized on the Statement of Financial Position and the Organization recognizes lease expense on a straight-line basis over the lease term. A lease may include both lease and non-lease components which are accounted for as a single lease component as the Organization elected the practical expedient to combine these components for all leases. The Organization recognizes variable lease payments as an expense in the period incurred. The discount rates used to determine the present value of the lease assets and liabilities are based on the Organization’s incremental secured borrowing rate at the lease commencement date, as the rates implicit in most leases are not readily determinable.

At June 30, 2023, the cost and net book value of leased assets is \$18,493 and \$15,975, respectively. Amortization for the year ended June 30, 2023 was \$2,518.

Leased liabilities consist of the following:

Description	Date	Payment Terms	Monthly Payment Amount	Interest Rate	Initial Lease Liability	Balance June 30, 2023
Copier	10/5/2022	4 years	\$ 220	6.00%	\$ 9,381	\$ 7,780
Copier	3/2/2023	4 years	220	7.50%	9,112	8,449
					<u>\$ 18,493</u>	<u>\$ 16,229</u>

The Organization entered into two separate financing lease agreements with CIT Bank for copier equipment for use by the Organization throughout various departments beginning on the dates specified above. Monthly payments are due for the next 48 months at a fixed interest rate based on the implicit borrowing rate of the Organization. These leases are not renewable and the Organization has the option to acquire the equipment at the end of the four years. Finance lease cost consisted of amortization expense of \$2,518 and interest expense of \$600 for the year ended June 30, 2023.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest
2024	4,315	972
2025	4,617	670
2026	4,938	350
2027	2,359	133
Total	<u>\$ 16,229</u>	<u>\$ 2,125</u>

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of June 10, 2024, which is the date the financial statements were available to be issued.

In July 2023, the Organization assumed control of United Way of the New River Valley, which serves the counties of Montgomery, Pulaski, Giles, Floyd, and the city of Radford.

In January 2024, the Organization changed its name to EO Companies and the name of the United Way of the New River Valley was changed to the United Way of Southwest Virginia, Inc. The Organization effectively reorganized its activities by segregating its programmatic activities to be operated by EO Companies and its fund raising and disaster response activities to be operated by the United Way Southwest Virginia.

NOTE 10 – 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 values of cash, receivables, prepaids, accrued liabilities, payables, and finance lease assets and liabilities on the statement of financial position approximate fair value due to the short-term nature of these items. The carrying value of notes payable is outstanding principal less amortizable closing costs at June 30, 2023.

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 10 – 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.

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

COMPLIANCE SECTION

June 30, 2023

David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA,
CIA^{II}, CVA*



155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: HBC@firmcpa.com

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, 2023 and June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2024.

Report on 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 United Way of Southwest Virginia, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the

accompanying Schedule of Findings and Questioned Costs as item 2023-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002 to be a significant deficiency.

Report on 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*.

United Way of Southwest Virginia, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. United Way of Southwest Virginia, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



HBC Certified Public Accountants

Abingdon, Virginia

June 17, 2024

David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA¹¹,
CVA*



155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123 Fax: (276) 676-3000
e-mail: HBC@firmcpa.com

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

Opinion on 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 June 30, 2023. 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.

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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of United Way of Southwest Virginia, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of United Way of Southwest Virginia, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to United Way of Southwest Virginia, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on United Way of Southwest Virginia, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about United Way of Southwest Virginia, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding United Way of Southwest Virginia, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of United Way of Southwest Virginia, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 United Way of Southwest Virginia, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



HBC Certified Public Accountants

Abingdon, Virginia

June 17, 2024

United Way of Southwest Virginia, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

FEDERAL GRANT/PROGRAM TITLE	Pass Through Organization	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES
APPALACHIAN REGIONAL COMMISSION (ARC)			
Appalachian Area Development	Direct Payment	23.001	\$ 135,429
Total Appalachian Regional Commission			135,429
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Epidemiology and Laboratory Capacity for Infectious Diseases	Virginia Department of Health	93.323	73,515
Strengthening Public Health Systems and Services	Virginia Early Childhood Foundation	93.421	7,703
Foundation Preschool Development Grant	Virginia Early Childhood Foundation	93.434	* 1,005,291
Preschool Development Grants	Virginia Early Childhood Foundation	93.434	* 870
Temporary Assistance for Needy Families	Virginia Early Childhood Foundation	93.558	124,999
Grants to States for Operation of State Offices of Rural Health	Virginia Department of Health	93.913	20,000
Substance Abuse Block Grant	Cumberland Mountain Community Services	93.959	49,726
Maternal and Child Health Services Block Grant	Virginia Early Childhood Foundation	93.994	52,336
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	Virginia Early Childhood Foundation	93.575	* 3,167,460
Child Care and Development Block Grant	Child Development Resources	93.575	* 70,629
Child Care and Development Block Grant	Virginia Department of Education	93.575	* 427,126
<i>Total Child Care and Development Fund Cluster</i>			<u>3,665,215</u>
Total Department of Health and Human Services			4,999,655
DEPARTMENT OF THE TREASURY			
American Rescue Plan Act (COVID-19)	Virginia Department of Social Services	21.027	7,782
Total Department of the Treasury			7,782
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State	Virginia Department of Social Services	94.006	13,039
Total Department of Health and Human Services			13,039
TOTAL FEDERAL ASSISTANCE			<u>\$ 5,155,905</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 June 30, 2023. 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 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 twelve months ended June 30, 2023.

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?	Yes
Significant deficiency(es) identified?	Yes
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?	Yes

Identification of major programs:

<u>Name of Program</u>	<u>Assistance Listing Number</u>	<u>Findings</u>	<u>Questioned Cost</u>
Foundation Preschool Development Grant	93.434	None	No
Child Care and Development Block Grant	93.575	None	No

II. FINANCIAL STATEMENT FINDINGS

<u>2023-001 Develop Controls over Grants Reporting and Review</u>	
FINDING TYPE	Material Weakness
CRITERIA	A key concept over internal control over financial reporting under Uniform Guidance is to develop and implement adequate controls, processes, and reviews to accumulate accurate data to produce a Schedule of Expenditures of Federal Awards (SEFA) in accordance with 2 CFR 200.510(b).
CONDITION	The original schedule of federal monies, as presented for audit, reported certain programs as subrecipient grants. Audit detected certain programs were contract services and should not be reported on SEFA.
CAUSE	The design of control processes regarding the compilation and reporting of grants was inadequate to identify the proper source and categorization of funding from various agencies. As a result, management failed to identify the correct federal expenditures provided for audit.
EFFECT	Material overstatement of federal expenditures and grant revenue were not prevented or detected and corrected by the Organization's internal controls.
RECOMMENDATION	The Organization should review the process for preparing and reviewing the SEFA and revise as necessary to ensure an accurate report is produced.
MANAGEMENT'S RESPONSE	Management plans to implement a new control to formally evaluate each new grant to conclude as to whether the funds being received are as a sub-recipient or as a contractor. Management will review grant documents, inquire of grantor, and/or complete a review checklist to properly evaluate the grant based on information obtained from the grantor and the characteristics found in 2 CFR §200.331. Management will also update its current summaries of grant revenue to properly account for the conclusions reached in its assessment.

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

<u>2023-002</u>		<u>Strengthen Controls over Financial Reporting</u>
FINDING TYPE	Significant Deficiency	
CRITERIA	Per auditing standards, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards.	
CONDITION	Trial balances as presented for audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, there were proposed adjustments to the financial statements.	
CAUSE	There was an inadequate review of source documents, and as a result, management failed to identify and record the necessary adjustments on a timely basis.	
EFFECT	There is a reasonable possibility that a misstatement of the financial statements will not be prevented or detected and corrected by the internal controls over financial reporting.	
RECOMMENDATION	Management should expand its review processes over accrual line items to prevent or detect misstatements. The Organization should ensure the finance department has sufficient resources to complete financial reporting processes timely and effectively.	
MANAGEMENT'S RESPONSE	The Organization's recent growth in size and complexity placed a strain on its internal accounting and financial reporting resources. Management has added an additional staff person to its finance department and is in the process of internally reorganizing to remove certain operational duties from its finance department. These operational duties will be reallocated to a new operations department. The internal reorganization and realignment of duties combined with the additional staffing should increase the finance department's capacity and allow for an improvement in the timeliness and effectiveness of controls over financial reporting.	

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

United Way of Southwest Virginia, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

FINDINGS NOTED FOR THE YEAR ENDED JUNE 30, 2022

Finding 2022-001	Pledges Receivable
FINDING TYPE	Significant Deficiency
CONDITION	Controls relating to the postings and review of pledges receivable were not followed. This allowed for several pledges to be double-booked as revenue and receivable.
RECOMMENDATION	Auditee should improve reporting capabilities with respect to the pledge tracking system and should perform a detail review of pledges receivable aging by donor on a routine and timely basis. Additional staff should be added as needed to ensure control procedures are performed on a timely basis.
CURRENT STATUS	Implemented.