

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2022 and June 30, 2021

UNITED WAY OF SOUTHWEST VIRGINIA, INC.

FINANCIAL REPORT

PERIODS ENDED JUNE 30, 2022 AND JUNE 30, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INTRODUCTORY SECTION</u>	
Title Page	
Table of Contents	
<u>AUDITOR'S REPORTS</u>	
Independent Auditor's Report	1
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>	4
Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	6
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	9
Statements of Activities	10
Statements of Functional Expenses	12
Statements of Cash Flows	14
Notes to Financial Statements	15
<u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Expenditures of Federal Awards	24
Schedule of Findings, Responses, and Questioned Costs	25

Thomas M. Hickok, CPA, CVA, MAFF^{1*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA¹¹



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, 2022 and June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the twelve- and six-month periods 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, 2022 and June 30, 2021, and the changes in its net assets and its cash flows for the twelve- and six-month periods 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.

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 March 8, 2023 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.



Hicok, Brown & Company
Certified Public Accountants
March 8, 2023

Thomas M. Hickok, CPA, CVA, MAFF^{1*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA¹¹



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, 2022 and June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the twelve- and six-month periods then ended, and the related notes to the financial statements, and have issued our report thereon dated March 8, 2023.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be significant deficiencies.

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*.

Purpose of This Report

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



Hicok, Brown & Company
Certified Public Accountants
March 8, 2023

Thomas M. Hickok, CPA, CVA, MAFF^{1*}
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Michael W. Pennington, CPA
Tracy S. Garcia, CPA, CGMA, CIA¹¹



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, 2022. 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, 2022.

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.



Hicok, Brown & Company

Certified Public Accountants

March 8, 2023

United Way of Southwest Virginia, Inc.
 Statements of Financial Position
 At June 30, 2022 and June 30, 2021

	<u>June 30,</u> <u>2022</u>	<u>June 30,</u> <u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,352,263	\$ 839,843
Pledges receivable, net	343,710	326,568
Grants receivable	1,084,150	711,447
Prepaid expenses	131,432	59,855
Property and equipment, net	<u>975,474</u>	<u>1,000,291</u>
Total assets	<u>\$ 3,887,029</u>	<u>\$ 2,938,004</u>
<u>LIABILITIES & NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,271	\$ 140,558
Deferred revenue from advance grant funds	427,546	129,355
Notes payable, net	<u>617,389</u>	<u>636,354</u>
Total liabilities	<u>1,120,206</u>	<u>906,267</u>
Net Assets:		
Without donor restrictions	2,010,051	1,922,402
With donor restrictions	<u>756,772</u>	<u>109,335</u>
Total net assets	<u>2,766,823</u>	<u>2,031,737</u>
Total liabilities & net assets	<u>\$ 3,887,029</u>	<u>\$ 2,938,004</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, 2022 and June 30, 2021

	Twelve-month period 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	<u>737,339</u>	<u>1,270,484</u>	<u>2,007,823</u>
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 materials	30,414	-	30,414
Miscellaneous income	9,754	-	9,754
Net assets released from restriction	<u>5,555,604</u>	<u>(5,555,604)</u>	<u>-</u>
Total campaign results and other support	<u>6,427,883</u>	<u>647,437</u>	<u>7,075,320</u>
<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	<u>5,842,923</u>	<u>-</u>	<u>5,842,923</u>
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	<u>497,311</u>	<u>-</u>	<u>497,311</u>
Total expenses	<u>6,340,234</u>	<u>-</u>	<u>6,340,234</u>
CHANGE IN NET ASSETS	87,649	647,437	735,086
NET ASSETS, Beginning of the year	<u>1,922,402</u>	<u>109,335</u>	<u>2,031,737</u>
NET ASSETS, End of the year	<u>\$ 2,010,051</u>	<u>\$ 756,772</u>	<u>\$ 2,766,823</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, 2022 and June 30, 2021

	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
Change in discounts and uncollectible pledges	(17,552)	-	(17,552)
Net campaign results	<u>56,591</u>	<u>7,628</u>	<u>64,219</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>4,782,536</u>	<u>(263,695)</u>	<u>4,518,841</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	217,523	-	217,523
United Way Dues	18,496	-	18,496
Total support services expenses	<u>309,748</u>	<u>-</u>	<u>309,748</u>
Total expenses	<u>4,770,193</u>	<u>-</u>	<u>4,770,193</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 Functional Expenses
 For the Periods Ended June 30, 2022 and June 30, 2021

Classification	Twelve-month period ended June 30, 2022			
	Program	Support Services		Totals
		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
Other fees for services	-	-	-	-
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	<u>-</u>	<u>33,833</u>	<u>-</u>	<u>33,833</u>
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 Functional Expenses
 For the Periods Ended June 30, 2022 and June 30, 2021

Classification	Six-month period ended June 30, 2021			Totals
	Program	Support Services		
		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
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
Professional development	23,244	-	-	16,530
Miscellaneous expense	27,779	4,067	4,067	35,913
Total other expenses	<u>392,639</u>	<u>17,158</u>	<u>73,193</u>	<u>476,276</u>
Total operating expenses	<u>4,460,445</u>	<u>73,729</u>	<u>217,523</u>	<u>4,744,983</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>\$ 217,523</u>	<u>\$ 4,763,479</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, 2022 and June 30, 2021

	Twelve-month period ended June 30, 2022	Six-month period ended June 30, 2021
	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 735,086	\$ (251,352)
Adjustment to reconcile changes in net cash used in operating activities:		
Depreciation	28,517	12,805
Uncollectible pledges	103,282	17,552
Changes in operating assets and liabilities:		
Pledges receivable	(120,424)	315,902
Grants receivable	(372,703)	(443,560)
Prepaid expenses and other current assets	(71,577)	(3,210)
Designations payable	-	(64,889)
Accounts payable and accrued expenses	(65,287)	(51,863)
Deferred revenue from advance grant funds	298,191	129,355
Net cash provided (used) by operating activities	<u>535,085</u>	<u>(339,260)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	366	(31,764)
Net cash provided (used) by investing activities	<u>366</u>	<u>(31,764)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on mortgage notes payable	(18,965)	(8,228)
Capitalized mortgage refinance costs	(4,066)	-
Net cash provided (used) by financing activities	<u>(23,031)</u>	<u>(8,228)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	512,420	(379,252)
CASH AND CASH EQUIVALENTS, Beginning	<u>839,843</u>	<u>1,219,095</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,352,263</u>	<u>\$ 839,843</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 23,839</u>	<u>\$ 13,256</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)

During 2021, the Organization changed its year end from December 31 to June 30, 2021. The statements of activities, functional expenses, and cash flows for June 30, 2021 are for a six-month period and may not be comparable to a twelve-month fiscal year.

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, 2022 and June 30, 2021, \$1,078,432 and \$1,151,837, respectively, was in excess of Federal Deposit Insurance Company (FDIC) coverage. Beginning December 2022, the Organization entered an ICS deposit placement agreement with New Peoples Bank, Inc. which will automatically allocate deposits at other financial institutions so that all funds have 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 \$30,414 and \$4,760 as of June 30, 2022 and June 30, 2021, respectively.

Pledges Receivable and Designations

Contributions are recognized as revenue when the donor makes a written promise to give. 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, 2022 and June 30, 2021.

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, 2022 and June 30, 2021, 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 \$63,920 and \$16,705 in 2022 and 2021, 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 2016-02, *Leases (Topic 842)*, which will require the recognition of right-to-use assets and lease liabilities for leases previously classified as operating leases by lessees. Since the issuance of this standard, there have been several additional standards issued relative to this topic. These standards will be effective for the fiscal year ending June 30, 2023 and are not expected to have a significant impact on the Organization's financial statements.

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, 2022	June 30, 2021
Net assets with donor restrictions		
Subject to expenditure for specified purposes:		
Contribution program/locality designation	\$ 743,059	\$ 108,785
Grant program funds	13,713	550
Total net assets with donor restrictions	\$ 756,772	\$ 109,335

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, 2022	June 30, 2021
Available Financial Assets		
Cash and cash equivalents	\$ 1,352,263	\$ 839,843
Add: grants receivable	1,084,150	711,447
Less: advance grant funds	(427,546)	(129,355)
Pledges receivable, net	343,710	326,568
Less: pledges with donor restrictions	(250,642)	(238,142)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,101,935	\$ 1,510,361

United Way of Southwest Virginia, Inc.
Notes to Financial Statements
June 30, 2022 and June 30, 2021

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 and June 30, 2021 are as follows:

Description	June 30, 2022	June 30, 2021
Due in less than one year	\$ 433,710	\$ 391,568
Allowance for uncollectible pledges	(90,000)	(90,000)
Pledges receivable, net	\$ 343,710	\$ 326,568

Pledges receivable includes pledge annuities totaling \$25,000 and \$56,738 at June 30, 2022 and June 30, 2021, respectively. Remaining pledge annuities are considered short-term and therefore not discounted.

NOTE 5 – 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, 2022 and June 30, 2021. 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, 2022 and June 30, 2021 amounted to \$28,517 and \$12,806, respectively.

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

Property and Equipment	June 30, 2022	June 30, 2021
Land	\$ 412,316	\$ 412,316
Buildings and improvements	667,049	667,049
Furniture and equipment	14,804	11,104
Vehicles	46,645	46,645
Website design in progress	27,565	27,565
Total property and equipment	1,168,379	1,164,679
Less: accumulated depreciation	(192,905)	(164,388)
Property and equipment, net	\$ 975,474	\$ 1,000,291

United Way of Southwest Virginia, Inc.
Notes to Financial Statements
June 30, 2022 and June 30, 2021

NOTE 6 – NOTES PAYABLE

Notes payable consists of the following:

Note Description	June 30, 2022	June 30, 2021
In 2013, the Organization entered into a note agreement with First Community Bank for \$750,000 to purchase the Organization's office space. The Organization refinanced with New Peoples Bank in 2022. Interest rate 3.0%. Monthly payments of principal and interest of \$4,467.31. Matures February 2037.	\$ 621,455	\$ 636,354
Mortgage refinance costs on New Peoples Bank note payable.	<u>(4,066)</u>	<u>-</u>
Total notes payable	<u>\$ 617,389</u>	<u>\$ 636,354</u>
Less: current maturities	<u>(35,462)</u>	<u>(17,837)</u>
Total long-term notes payable	<u>\$ 581,927</u>	<u>\$ 618,517</u>

Maturities of notes payable are as follows:

Year Ending June 30,	Principal	Interest	Amortized Costs
2023	\$ 35,733	\$ 17,874	\$ (271)
2024	36,536	17,072	(271)
2025	37,647	15,961	(271)
2026	38,798	14,816	(271)
2027	39,972	13,636	(271)
Thereafter	<u>432,769</u>	<u>63,398</u>	<u>(2,711)</u>
Total	<u>\$ 621,455</u>	<u>\$ 142,757</u>	<u>\$ (4,066)</u>

NOTE 7 – 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, 2022 and June 30, 2021 was \$42,205 and \$21,699, respectively.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of March 8, 2023, which is the date the financial statements were available to be issued.

Beginning December 2022, the Organization entered an ICS deposit placement agreement with New Peoples Bank, Inc. which will automatically allocate deposits at other financial institutions so that all funds have FDIC coverage.

In March 2023, the Organization entered into a purchase agreement with Town Centre of Abingdon, LLC to acquire the former Kmart facility located at 300 Towne Center Drive in Abingdon for \$3 million. The Organization expects to fund the purchase primarily from charitable contributions.

The Organization intends to redevelop the 87,000sqft facility into a state-of-the-art regional child care 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 \$18 million to \$20 million. The Organization expects to close on the facility April 2023 and to begin renovations July 2023. The center is expected to open July 2024.

NOTE 9 – 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, 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 is outstanding principal at June 30, 2022.

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:

NOTE 9 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- 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.

SUPPLEMENTARY INFORMATION

June 30, 2022

United Way of Southwest Virginia, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

FEDERAL GRANT/PROGRAM TITLE	Pass Through Organization	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES
APPALACHIAN REGIONAL COMMISSION (ARC) Appalachian Area Development	Direct Payment	23.002	\$ 66,285
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Maternal and Child Health Federal Consolidated Programs	Virginia Early Childhood Foundation	93.110	56,923
Strengthening Public Health Systems and Services	Virginia Early Childhood Foundation	93.421	19,730
Foundation Preschool Development Grant	Virginia Early Childhood Foundation	93.434	637,604
Temporary Assistance for Needy Families	Virginia Early Childhood Foundation	93.558	132,741
<i>Child Care and Development Fund Cluster:</i>			
Child Care and Development Block Grant	Virginia Early Childhood Foundation	93.575	* 1,939,070
Child Care and Development Block Grant	Virginia Infant & Toddler Specialist Network	93.575	* 86,771
Child Care and Development Block Grant	Virginia Department of Education	93.575	* 427,479
<i>Total Child Care and Development Fund Cluster</i>			<u>2,453,320</u>
Department Total			<u>3,300,318</u>
CENTERS FOR DISEASE CONTROL AND PREVENTION			
Epidemiology and Lab Capacity for Infections Diseases	Virginia Department of Health	93.323	61,574
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
AmeriCorps State	Virginia Department of Social Services	94.006	35,163
TOTAL FEDERAL ASSISTANCE			<u>\$ 3,463,340</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 twelve months ended June 30, 2022. 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 Circulate 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 twelve months ended June 30, 2022.

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?	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?	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

II. FINANCIAL STATEMENT FINDINGS

2022-001 Pledges Receivable

CONDITION Pledges receivable were not reviewed in detail until February 2023 during audit fieldwork. Total outstanding pledges by donor were not available when requested for audit. Management review detected and corrected several errors in pledges receivable, including duplicate pledges from receivable payments recorded as new pledges. These errors would have been detected and corrected timely if existing control processes were performed during the year or at year-end.

CRITERIA Pledges receivable aging by donor should be regularly reviewed for accuracy and collectability. Receipts should be recorded to the correct donor account.

CAUSE During the audit period, auditee changed software providers for both accounting and pledge tracking. The system conversions—combined with limited finance staff and turnover in development staff—significantly delayed build-out of reports from the new systems and review of pledges receivable aging by donor.

EFFECT Errors in pledges receivable not detected on a timely basis. Campaign revenue and pledges receivable overstated before adjustment. Intervening internal reports have incorrect campaign revenue and receivable which affects decision-making.

RECOMMEND Auditee should improve reporting capabilities with respect to 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.

Continued on the next page.

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

MANAGEMENT'S VIEWS AND CORRECTIVE ACTION PLAN

The Finance and Development teams are working with pledge tracking software provider to enhance its reporting capabilities. The enhanced reporting will facilitate monthly reconciliation between accounting and pledge tracking software systems. Furthermore, the Development team will perform a detail review of pledges receivable aging by donor on a quarterly basis. The Finance team will review the results of the detail review. Management will develop a checklist of significant control procedures over pledges and will monitor implementation to ensure controls are performed timely.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.