



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 with Summarized Financial Information for the  
Year Ended June 30, 2022

WALL  
EINHORN &  
CHERNITZER  
— CPAs & ADVISORS —

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
**United Way of South Hampton Roads and Affiliates**  
Norfolk, Virginia

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of **United Way of South Hampton Roads and Affiliates** (collectively referred to as "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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 (GAAS) 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

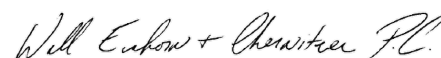
### **Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2023 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Norfolk, Virginia  
November 8, 2023



**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,425,141	\$ 5,234,789
Restricted cash	2,457,101	3,947,029
Unconditional promises to give, net	4,944,517	5,936,569
Prepaid expenses and other assets	273,223	264,904
Cash surrender value of life insurance	206,039	151,963
Investments	57,835,847	52,455,370
Funds held in trust by others	1,262,928	1,363,221
Property and equipment, net of accumulated depreciation, including finance lease lease right of use assets, net 2023 \$19,173; 2022 \$0	<u>1,751,621</u>	<u>1,733,330</u>
<b>Total assets</b>	<b><u>\$ 72,156,417</u></b>	<b><u>\$ 71,087,175</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 476,935	\$ 177,093
Allocations and grants payable	-	370,115
Finance lease liabilities	19,540	-
Capital lease obligation	-	11,671
Due to other United Ways, federated agencies and other organizations	5,935,270	5,664,366
Vehicle note payable	-	9,469
Designations payable - Virginia Beach Tragedy Fund	-	9,308
Deferred revenue	<u>920,848</u>	<u>928,681</u>
<b>Total liabilities</b>	<b><u>7,352,593</u></b>	<b><u>7,170,703</u></b>
<b>Commitments - See Note 8</b>		
<b>Net Assets</b>		
Without donor restrictions:		
General	5,479,688	7,457,231
Board designated - income from permanently endowed funds	7,812,692	4,127,404
Board designated - impact fund	1,963,758	1,963,758
Board designated - MacKenzie Scott gift	<u>4,850,000</u>	<u>4,850,000</u>
Total net assets without donor restrictions	<u>20,106,138</u>	<u>18,398,393</u>
With donor restrictions:		
Time or purpose restricted	7,360,763	8,575,936
Permanently restricted	<u>37,336,923</u>	<u>36,942,143</u>
Total net assets with donor restrictions	<u>44,697,686</u>	<u>45,518,079</u>
<b>Total net assets</b>	<b><u>64,803,824</u></b>	<b><u>63,916,472</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 72,156,417</u></b>	<b><u>\$ 71,087,175</u></b>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2023 with Summarized Financial Information for the Year Ended June 30, 2022

	2023				2022 Summarized Total
	Without Donor Restrictions	With Donor Restrictions		Total	
		Time or Purpose Restricted	Permanently Restricted		
<b>PUBLIC SUPPORT AND OTHER REVENUE</b>					
Community campaigns:					
Annual campaign	\$ -	\$ 9,908,054	\$ 479,338	\$ 10,387,392	\$ 9,547,798
United for the Future campaign	51,159	-	15,736	66,895	4,398,238
Coronavirus relief campaign	-	-	-	-	613
Other campaigns	-	552,937	-	552,937	477,644
Less: donor designations	-	(2,997,361)	-	(2,997,361)	(2,819,650)
Net amount available to United Way	<u>51,159</u>	<u>7,463,630</u>	<u>495,074</u>	<u>8,009,863</u>	<u>11,604,643</u>
Revenues:					
Virginia Beach Thrive Fund	2,600,258	-	-	2,600,258	10,367,531
Less: donor designations	-	-	-	-	(10,000,000)
Grants and other contributions	962,621	1,002,655	-	1,965,276	2,047,056
In-kind contributions	-	-	-	-	372,324
Program administration and contract fees	297,595	-	-	297,595	237,745
Other	175,120	-	-	175,120	100,325
Paycheck Protection Program note payable forgiveness	-	-	-	-	509,962
Net assets released from restrictions	<u>9,766,120</u>	<u>(9,681,458)</u>	<u>(84,662)</u>	<u>-</u>	<u>-</u>
<b>Total public support and other revenue</b>	<u>13,852,873</u>	<u>(1,215,173)</u>	<u>410,412</u>	<u>13,048,112</u>	<u>15,239,586</u>
<b>EXPENSES</b>					
Program services:					
Distributions to agencies and programs	7,708,384	-	-	7,708,384	16,608,546
Coronavirus relief distributions	-	-	-	-	30,447
Less: donor designations	<u>(2,997,361)</u>	<u>-</u>	<u>-</u>	<u>(2,997,361)</u>	<u>(2,819,650)</u>
Net funds distributed	<u>4,711,023</u>	<u>-</u>	<u>-</u>	<u>4,711,023</u>	<u>13,819,343</u>
Other program services	<u>8,025,527</u>	<u>-</u>	<u>-</u>	<u>8,025,527</u>	<u>2,724,493</u>
Total program services	12,736,550	-	-	12,736,550	16,543,836
Fundraising	1,659,530	-	-	1,659,530	1,610,901
Management and general	1,661,540	-	-	1,661,540	1,412,720
Unallocated payments to United Way Worldwide	<u>195,226</u>	<u>-</u>	<u>-</u>	<u>195,226</u>	<u>362,523</u>
<b>Total expenses</b>	<u>16,252,846</u>	<u>-</u>	<u>-</u>	<u>16,252,846</u>	<u>19,929,980</u>
<b>OTHER INCOME/EXPENSES</b>					
Investment return, net	<u>4,107,718</u>	<u>-</u>	<u>(15,632)</u>	<u>4,092,086</u>	<u>(6,941,285)</u>
<b>Change in net assets</b>	<u>1,707,745</u>	<u>(1,215,173)</u>	<u>394,780</u>	<u>887,352</u>	<u>(11,631,679)</u>
<b>Net assets - beginning of year</b>	<u>18,398,393</u>	<u>8,575,936</u>	<u>36,942,143</u>	<u>63,916,472</u>	<u>75,548,151</u>
<b>Net assets - end of the year</b>	<u>\$ 20,106,138</u>	<u>\$ 7,360,763</u>	<u>\$ 37,336,923</u>	<u>\$ 64,803,824</u>	<u>\$ 63,916,472</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023 with Summarized Financial Information for the Year Ended June 30, 2022

	2023				2022 Summarized Total
	Program Services	Support Services		Total	
		Fundraising	Management and General		
Community impact program expense	\$ 5,474,531	\$ -	\$ -	\$ 5,474,531	\$ 946,666
Conferences, conventions and training	29,587	218,611	35,898	284,096	158,822
Depreciation and amortization	26,780	73,661	89,268	189,709	101,440
Interest	-	-	1,502	1,502	1,537
Membership dues	-	394	3,783	4,177	3,628
Miscellaneous	36,126	196	72,410	108,732	43,664
Occupancy	21,499	16,597	21,326	59,422	94,149
Office supplies	27,272	83,377	14,040	124,689	59,418
Personnel recruitment	-	906	1,106	2,012	8,036
Postage	18,522	2,879	7,860	29,261	16,051
Printing and publications	24,399	46,324	27,310	98,033	88,438
Professional fees	61,088	29,441	455,471	546,000	377,025
Promotion and advertising	-	215,157	-	215,157	69,741
Rental and maintenance of equipment	378,985	72,688	114,387	566,060	725,127
Salaries and related expenses	1,909,799	864,086	808,962	3,582,847	2,993,474
Telephone	11,738	6,290	5,403	23,431	18,214
Travel	5,201	7,924	2,814	15,939	11,790
United Way combined charities campaign	-	20,999	-	20,999	30,894
Total expenses	8,025,527	1,659,530	1,661,540	11,346,597	5,748,114
Program services - net funds distributed	4,711,023	-	-	4,711,023	13,819,343
	<u>\$ 12,736,550</u>	<u>\$ 1,659,530</u>	<u>\$ 1,661,540</u>	16,057,620	19,567,457
Unallocated payments to United Way Worldwide				195,226	362,523
<b>Total expenses</b>				<u>\$ 16,252,846</u>	<u>\$ 19,929,980</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 887,352	\$ (11,631,679)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	189,709	101,440
Realized and unrealized (gains) losses, net - endowment	(3,669,656)	6,486,665
Realized and unrealized (gains) losses, net - operating	(823,971)	1,132,228
Contributions received restricted to permanent endowment	(495,074)	(4,318,562)
Change in allowance for uncollectible pledges	11,875	20,617
Change in net present value of unconditional promises to give	(18,693)	(9,213)
Lease expense, non-cash portion	(10,863)	-
Paycheck Protection Program note payable forgiveness	-	(509,962)
(Gain) loss on disposal of property and equipment	(21,276)	9,913
Decrease (increase) in assets:		
Unconditional promises to give	998,870	1,183,092
Prepaid expenses and other assets	(8,319)	(115,519)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	299,842	8,542
Allocations and grants payable	(370,115)	-
Due to other United Ways, federated agencies and other organizations	270,904	(1,211,052)
Designations payable - Virginia Beach Tragedy Fund	(9,308)	2,504
Deferred revenue	(7,833)	928,681
<b>Net cash used in operating activities</b>	<u>(2,776,556)</u>	<u>(7,922,305)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	40,305	-
Purchase of property and equipment	(196,682)	(1,121,317)
Change in value of cash surrender value of life insurance	(54,076)	(7,484)
Proceeds from sale of investments	198,232	13,767,689
Purchases of investments	(984,789)	(8,018,893)
<b>Net cash (used in) provided by investing activities</b>	<u>(997,010)</u>	<u>4,619,995</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received restricted to permanent endowment	495,074	4,318,562
Principal payments on finance lease obligations	(11,615)	-
Principal payments on capital leases	-	(7,568)
Principal payments on vehicle note payable	(9,469)	(4,690)
<b>Net cash provided by financing activities</b>	<u>473,990</u>	<u>4,306,304</u>
<b>Net (decrease) increase in cash, cash equivalents, and restricted cash</b>	<u>(3,299,576)</u>	<u>1,003,994</u>
<b>Cash, cash equivalents, and restricted cash - beginning of year</b>	<u>9,181,818</u>	<u>8,177,824</u>
<b>Cash, cash equivalents, and restricted cash - end of year</b>	<u>\$ 5,882,242</u>	<u>\$ 9,181,818</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended June 30, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ <u>681</u>	\$ <u>1,537</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements.

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 1. Organization Description and Operating Structure**

**Organization Description**

About United Way

For more than 130 years, United Way has served as a vehicle for volunteers, donors and advocates who seek to change lives and communities through service, collaboration and impact. As the largest privately funded nonprofit in the world, United Way has a global network of 1,800 local United Ways in 40 countries and territories. Headquartered in Alexandria, Virginia – with employees around the world – United Way serves nearly 48 million people annually, supports 2.5 million volunteers and engages 7.7 million donors.

United Way fights for the health, education and financial stability of every person in every community. How does United Way do it? By galvanizing the caring power of communities, forging unlikely partnerships, finding new solutions to old problems, mobilizing the best resources and inspiring people to make a mark in their own backyard. United Way is more than a fundraiser. United Way is the hand raiser. The game changer. United Way surrounds a community's most critical problems – and fights for solutions.

About United Way of South Hampton Roads

**United Way of South Hampton Roads (UWSHR)** is a nonprofit corporation chartered under the laws of the Commonwealth of Virginia in 1923. UWSHR is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. UWSHR conducts fundraising campaigns, acts as an administrative agent, and distributes funds to participating area organizations according to donor designations and fund distribution committee recommendations. UWSHR's mission is to bring people and resources together to solve problems too big for anyone to solve alone. Additionally, the following entities are wholly owned subsidiaries of UWSHR.

**United Way of South Hampton Roads Foundation (Foundation)** is a nonprofit corporation chartered under the laws of the Commonwealth of Virginia in 1998. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation is to benefit and carry out the purposes of United Way of South Hampton Roads by providing a long-term base of financial support for United Way, its certified agencies and its charitable, social, educational, and human service programs, activities and purposes.

**Agency Affiliate Funds:** The Foundation provides an opportunity for local agencies to invest their funds with that of the Foundation. This opportunity provides professional management and oversight of invested funds. Agency affiliated fund agreements are approved by the Board of Trustees.

**Donor Advised Funds:** The Foundation's Donor Advised Giving Program facilitates grants to domestic organizations, based upon recommendations by program contributors that meet programmatic interests of both the donor and the Foundation. Through International Donor Advised Giving, donors can provide funding for grants to a variety of charitable organizations.

**Charitable Pledge Processing, LLC (CPP)** is a single member limited liability company owned by UWSHR and chartered under the laws of the Commonwealth of Virginia in 2003. CPP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The purpose of CPP is to provide accurate, cost-effective, timely pledge processing and distribution services to firms and organizations. It is run by an independent board of directors. CPP does not raise funds or perform resource allocations. All of CPP's work takes place in Norfolk, Virginia. CPP has an operating agreement and asset management agreement with UWSHR to conduct business and uses its own trademarks.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 1. Organization Description and Operating Structure (continued)**

**Organizational Operating Structure**

UWSHR's operational structure includes the following program and supporting services, which are included in the accompanying consolidated statement of activities:

Program Services

*Community Investments*

UWSHR envisions a community where all individuals and families thrive and reach their full potential. To fully realize this vision, we must support those living in or on the verge of poverty or crisis with navigating a path to self-sufficiency. Factors that prevent children and families from experiencing safe, stable and successful lives are complex and must be addressed holistically.

UWSHR is focused on partnering with vulnerable populations in the South Hampton Roads communities. This includes those below the Federal Poverty Level as well as those struggling to make ends meet, who we call ALICE®.

ALICE® is an acronym coined by a collaborating group of United Ways that stands for Asset Limited, Income Constrained, Employed. The ALICE population represents a growing number of households in our community who work hard and earn more than the official Federal Poverty Level, but less than the basic cost of living. ALICE® makes too much to qualify for most government assistance yet struggles to afford life's essentials. Typically, ALICE® is one life changing event from falling into poverty.

To best serve these populations and provide cutting-edge, big-picture solutions, we work with a network of partners and a set of tools that help us deliver results effectively and efficiently:

Mobility Mentoring® is a model developed by Economic Mobility Pathways that we adopted in 2016. We believe that the methods, principles and research of Mobility Mentoring® can be applied at varying degrees in diverse settings across health and human services.

GHRconnects, the Community Indicators Dashboard, tracks meaningful, accurate and standardized data over time. It gives a clear picture of how our region is performing in a variety of critical areas and drives data-driven decisions to help us turn the curve and improve quality of life. GHRconnects also documents and promotes best practices and serves as a space for community collaboratives to communicate the impact of their work.

Unite Us is a collaborative software that allows us to seamlessly connect people with the services they need in real time. It shifts our work from fragmented services to coordinated care networks.

Results-Based Accountability (RBA) is an approach that encompasses population and performance accountability. RBA provides a simple, structured approach for measuring performance of programs and services. RBA has three types of performance measures: how much did you do?, how well did you do it?, and is anyone better off? Measures that indicate whether anyone is better off are most important and meaningful yet are hardest to control.

*Program Initiatives*

United Way of South Hampton Roads has two current initiatives: Mission United and United for Children, which are long-term, multi-sector efforts that focus on specific populations and address entrenched problems by establishing a common agenda and aligning resources and strategy.

Mission United is the first-ever coordinated network of community resources and services in Hampton Roads providing relief and support to veterans, active duty military members, and their families. Utilizing Unite Us technology, we seamlessly connect military-connected individuals and families to services such as affordable housing, job training and healthcare.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 1. Organization Description and Operating Structure (continued)**

United for Children exists to give every child in South Hampton Roads the support needed to achieve their dreams. Through cross-sector partnerships with nonprofits, faith-based partners, city governments, school districts and community stakeholders, we have built promising solutions by carrying the voice of our community on the issues that matter most for children.

*Other Program*

The United Way of South Hampton Roads also provides our certified agencies with the opportunity to join our Health Insurance Program. It helps alleviate some of the financial burden of health insurance costs for smaller nonprofit organizations if they were to obtain their own plan.

Supporting Services

*Fundraising*

This supporting service category includes expenditures which provide the structure necessary to encourage and secure financial support for UWSHR's to fulfil its mission. The majority of UWSHR's financial support is obtained via the following campaigns:

United Way of South Hampton Roads Workplace Campaign

This is an annual campaign conducted in the workplaces of our corporate partners to raise funding for United Way, our programs and our certified agencies. Pledges are reported in the consolidated statement of financial position and allowances are provided for amounts estimated to be uncollectible. All contributions are considered available for unrestricted use unless specifically restricted by the donor. When a donor restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

United Way and Combined Charities Campaign (UW/CCC)

This is an annual fundraising campaign for soliciting contributions from city and school employees from the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. United Way of South Hampton Roads is the fiscal agent for the campaign. All pledges received are recorded in separate accounts until distributed to the participating agencies.

The Organization conducts the following endowment campaigns:

United for the Future Campaign Endowment

United for the Future is a campaign to raise \$40 million to change the odds for children, families and veterans in Hampton Roads into perpetuity. Funds raised through this campaign will bolster day-to-day services through direct investment in program expansion and fund an endowment to ensure sustainability far into the future. The corpus of this fund is invested into perpetuity.

Women United Endowment

Women United is a diverse, passionate membership dedicated to eliminating barriers women and children face in their journey to escape poverty and achieve permanent self-sufficiency. Since 2002, Women United has been leading the charge in the community and implementing breakthrough initiatives for lasting change. The corpus of this fund is invested into perpetuity.

African American Leadership Society Endowment

United Way's African American Leadership Society members are leading the way to a brighter future for South Hampton Roads. AALS donors share affinities for philanthropy, leadership and service, and are striving to positively impact our community by increasing the number of African American philanthropists making good things happen in South Hampton Roads. The corpus of this fund is invested into perpetuity.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

**Note 1. Organization Description and Operating Structure (continued)**

*Management and General*

This supporting service category includes the functions necessary to support both Programs and its Fundraising efforts. Such functions include, but are not limited to, the following: Secure a functioning governing board, maintain an adequate working environment, and manage the financial responsibilities of UWSHR.

**Note 2. Summary of Significant Accounting Policies**

Principles of consolidation and basis of presentation:

The consolidated financial statements include the accounts of UWSHR, the Foundation and CPP (collectively referred to as “the Organization”). All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements do not include the accounts of the United Way agencies, each of which have an independent Board of Directors and conduct independent programs.

Change in accounting principle:

Effective July 1, 2022, the Organization adopted ASC 842 – Leases, which replaced existing guidance. The Organization adopted ASC 842 using the modified retrospective method. Adoption of the standard did not impact the Organization’s net assets, changes in net assets, or its cash flows. ASC 842 requires recognition of right of use assets and lease liabilities for all lease agreements held by the Organization with a contractual term greater than 12 months at the time of lease inception.

The Organization elected the available practical expedients to account for existing capital leases as finance leases under the new guidance without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition or initial direct costs in the new guidance at lease commencement. Additionally, the Organization elected to report the current maturities of lease liabilities based on the undiscounted future contractual payments that are due within twelve months of the date of the consolidated financial statements in the event the Organization prepares a classified statement of financial position.

	<u>As reported under 840</u>	<u>As reported under 842</u>	<u>Effect of change</u>
Capital lease assets	\$ 10,899	\$ -	\$ 10,899
Finance lease assets	<u>-</u>	<u>10,899</u>	<u>(10,899)</u>
	<u>\$ 10,899</u>	<u>\$ 10,899</u>	<u>\$ -</u>
Capital lease obligation	\$ 11,671	\$ -	\$ 11,671
Finance lease liabilities	<u>-</u>	<u>11,671</u>	<u>(11,671)</u>
	<u>\$ 11,671</u>	<u>\$ 11,671</u>	<u>\$ -</u>

Cash and cash equivalents:

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**See Independent Auditor’s Report. Notes continued on next page.**

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**Note 2. Significant Accounting Policies (continued)**

Cash and cash equivalents (continued):

The following table provides a reconciliation of cash, cash equivalents and restricted cash as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,425,141	\$ 5,234,789
Restricted cash - donor restrictions	1,046,179	2,190,060
Restricted cash - disaster funds (VB Relief, Coronavirus Recovery, VB Thrive)	920,848	937,321
Restricted cash - endowed funds	<u>490,074</u>	<u>819,648</u>
	<u>\$ 5,882,242</u>	<u>\$ 9,181,818</u>

Amounts included in restricted cash represent funds set aside to satisfy donor restrictions and collections on endowment campaigns that have not been transferred to the endowment at June 30, 2023 and 2022.

Promises to give:

Unconditional promises to give (pledges) are recognized when received and are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. These contributions are presented as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions. The Organization provides for an allowance for uncollectible pledges based on management's judgement, including such factors as prior collection history, an assessment of economic conditions, and a review of subsequent collections. Any pledges receivable related to the Organization's annual campaign that are not collected within one year are charged against its related allowance and then revenue. Long term pledges are reported at their estimated net realizable value using a discount rate of 0.07% to 5.40% in the accompanying consolidated statements of financial position.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Funds received in advance but not earned are reported as deferred revenue in the accompanying consolidated statements of financial position.

Property and equipment, net:

All property and equipment are recorded at cost, or if donated, at fair market value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Buildings	33 1/3 years
Office furniture and equipment	5 years
Data processing equipment	5 years
Leasehold improvements	5-15 years
Computer software	5 years
Transportation equipment	5 years

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 2. Significant Accounting Policies (continued)**

Property and equipment, net (continued):

When property and equipment are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statement of activities. Cost of maintenance or repairs that do not improve or extend the useful lives of the respective assets are expensed when incurred. Betterments and renewals greater than \$2,000 are capitalized.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Investments:

Investments are reported at fair value based on quoted market prices. Net investment return is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. The Organization acts as an investment manager for affiliated agencies who choose to place their money with the Organization. As such, the Organization reports no income with respect to affiliated funds; interest, dividends, gains and losses are reported on each affiliates' financial statements. Additional disclosures on the valuation of investments have been included in Note 11.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Funds held in trust:

The Organization has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statement of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

Leases:

The Organization leases various pieces of office equipment. The determination of whether an arrangement is a lease is made at inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Finance leases are included in property and equipment and finance lease liabilities on the accompanying consolidated statement of financial position as of June 30, 2023.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 2. Significant Accounting Policies (continued)**

Leases (continued):

Right of use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments. Finance lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free discount rate, according to the Organization's elected policy. Finance lease ROU assets also include any lease payments made and exclude any lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that management will exercise the option. Lease expense for lease payments is recognized on the effective interest method over the lease term.

Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for income from permanently endowed funds, the MacKenzie Scott transformational gift, and an impact fund used to support programs.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Revenue and revenue recognition:

Significant revenue funding is reported on the consolidated statement of activities as follows:

*Community campaigns:*

Campaign contributions include the annual campaign directed at corporations, individuals, employers/employees of for-profit, non-profit and governmental entities, as well as public and private foundations. The core campaign is conducted each fall and a majority of the pledges are received prior to June 30. All payments are typically expected by June 30 of the following year. Designations to specific not-for-profit organizations other than United Way are deducted from campaign resources raised during the current year campaign. Similarly, the grant and allocation expense is reduced by donor designations. Processing fees to record and distribute designations are recorded in unrestricted other revenues. For the remaining campaign pledges and other donor designations, there are various payment options but payment generally occurs on a monthly or quarterly basis during the calendar year.

See Independent Auditor's Report. Notes continued on next page.



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 2. Significant Accounting Policies (continued)**

Revenue and revenue recognition (continued):

*Non-governmental grants and other contributions:*

Grants and other contributions typically include general unrestricted contributions, gifts and bequests, sponsorship funding and fees for special events. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Payments under cost-reimbursable contracts are recognized as revenue in the period in which the related expenditures are incurred. Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. These contributions are presented as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from donor restrictions.

*Government grants:*

Revenue from cost reimbursement-based government grants are recognized when reimbursable costs are incurred under the terms of the grant agreements. Grant payments received in excess of qualified costs are accounted for as deferred revenue.

*Program administration and contract fees:*

Donor designation processing fee includes public sector campaign administrative fees associated with United Way's role as the campaign coordinating organization and cost recovery fees assessed on private sector campaign donor designated pledges for fundraising and management and general expenses, based on actual historical costs.

*In-kind contributions and expenditures:*

Donated services for work requiring specialized skills and performed by individuals possessing those skills are valued at rates consistent with regular rates paid for similar work. Donated contractual services are valued at the contractor's normal rates. Donated supplies and materials are valued at their estimated fair market value at the date of receipt. Many individuals volunteer their time to perform a variety of tasks that assist the Organization's program services. Volunteer services neither create nor enhance financial assets nor do they require special skills, and thus are not recognized as support in the accompanying consolidated statement of activities.

Donor designations:

Donors to the Organization's campaigns may designate all or part of their contributions to specific agencies. For accounting purposes, these specific designations are not considered to be part of the amount allocated to agencies and are deducted from the campaign amount available to the Organization.

Paycheck Protection Program (PPP) loan:

The Organization accounted for its second draw SBA 7(a) PPP loan (Note 15) as a financial liability in accordance with FASB ASC 470. Proceeds from the loan remained as a liability until either (1) the loan was, in part or wholly, forgiven and the Organization was "legally released" or (2) the Organization paid off the loan to the creditor. Maturities were reported based on contractually due amounts.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 2. Significant Accounting Policies (continued)**

Advertising:

Advertising costs are expensed as incurred.

Income taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in miscellaneous expenses on the consolidated statement of functional expenses.

Functional allocation of expenses:

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities and on the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated based on estimates of time and effort. The amounts are determined based on management's estimates of each expense account's relation to the functional activities. Expenses which can be directly associated with a function are charged directly to that function.

Use of estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Summarized financial statement information:

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset or functional expense classifications. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

**Note 3. Information Regarding Liquidity and Availability**

The Organization strives to maintain liquid financial assets sufficient to cover three to six months of general expenditures. Financial assets in excess of daily cash requirements are held in interest bearing accounts, certificates of deposits, and other short-term investments. The Organization's Board of Directors meets quarterly to provide financial and budgetary oversight.

See Independent Auditor's Report. Notes continued on next page.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**Note 3. Information Regarding Liquidity and Availability (continued)**

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position. If the need arises, board designated amounts could be drawn on through board resolution.

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 3,425,141	\$ 5,234,789
Restricted cash	2,457,101	3,947,029
Unconditional promises to give, net	4,944,517	5,936,569
Investments	57,835,847	52,455,370
Funds held in trust by others	1,262,928	1,363,221
Total financial assets	<b>69,925,534</b>	<b>68,936,978</b>
Restricted cash	(2,457,101)	(3,947,029)
Long-term unconditional promises to give, net	(656,019)	(2,375,885)
Deferred revenue	(920,848)	(928,681)
Designated by board - income from permanently endowed funds	(7,812,692)	(4,127,404)
Designated by board - operating fund	(1,963,758)	(1,963,758)
Designated by board - MacKenzie Scott gift	(4,850,000)	(4,850,000)
With donor restriction - permanently restricted, less outstanding endowment unconditional promises to give	<b>(36,680,904)</b>	<b>(34,399,281)</b>
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 14,584,212</b>	<b>\$ 16,344,940</b>

**Note 4. Unconditional Promises to Give**

Unconditional promises to give consisted of the following at June 30:

	<b>2023</b>			
	<b>Total Receivable</b>	<b>Allowances for Uncollectible</b>	<b>Net Present Value Discounts</b>	<b>Net</b>
United Way annual campaign	\$ 3,576,287	\$ (950,721)	\$ -	\$ 2,625,566
United for the Future campaign	1,899,244	(406,526)	(12,440)	1,480,278
Other campaigns	857,214	(18,541)	-	838,673
	<b>\$ 6,332,745</b>	<b>\$ (1,375,788)</b>	<b>\$ (12,440)</b>	<b>\$ 4,944,517</b>
Due in less than one year				\$ 4,288,498
Due in less than five years				656,019
				<b>\$ 4,944,517</b>

See Independent Auditor's Report. Notes continued on next page.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Years Ended June 30, 2023 and 2022

**Note 4. Unconditional Promises to Give (continued)**

	<u>2022</u>			
	<u>Total</u>	<u>Allowances for</u>	<u>Net Present Value</u>	<u>Net</u>
	<u>Receivable</u>	<u>Uncollectible</u>	<u>Discounts</u>	
United Way annual campaign	\$ 4,044,031	\$ (976,849)	\$ -	\$ 3,067,182
United for the Future campaign	2,900,868	(326,873)	(31,133)	2,542,862
Other campaigns	386,716	(60,191)	-	326,525
	<u>\$ 7,331,615</u>	<u>\$ (1,363,913)</u>	<u>\$ (31,133)</u>	<u>\$ 5,936,569</u>
Due in less than one year				\$ 3,560,684
Due in less than five years				<u>2,375,885</u>
				<u>\$ 5,936,569</u>

**Note 5. Property and Equipment**

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 2,265,075	\$ 2,181,187
Computer software	36,050	36,050
Office furniture and equipment, including finance lease right of use assets, net 2023 \$19,173; 2022 \$0	298,934	308,484
Data processing equipment	106,466	181,873
Land	186,000	186,000
Transportation equipment	-	32,163
	<u>2,892,525</u>	2,925,757
Less accumulated depreciation	<u>(1,140,904)</u>	<u>(1,192,427)</u>
	<u>\$ 1,751,621</u>	<u>\$ 1,733,330</u>

**Note 6. Leases**

The Organization has finance leases for office equipment. The leases have remaining terms of approximately 2 years at June 30, 2023.

The following summarizes the weighted average remaining lease term and discount rate at June 30, 2023:

**Weighted average remaining lease term**

Finance leases 2.23 years

**Weighted average discount rate**

Finance leases 3.55%

See Independent Auditor's Report. Notes continued on next page.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**Note 6. Leases (continued)**

The maturities of finance lease liabilities at June 30, 2023 are as follows:

2024	\$	9,144
2025		9,144
2026		2,090
Total lease payments		20,378
Less: amounts representing interest		838
Present value of lease liabilities		19,540
Less: current portion of lease obligation		9,144
Present value of lease liabilities, less current portion	\$	10,396

The following summarizes the line items in the consolidated statement of activities which include the components of lease expense for the year ended June 30, 2023:

Finance lease costs:		
Amortization of lease assets included in depreciation and amortization expense	\$	11,174
Interest on lease liabilities included in interest expense		821
Total finance lease costs	\$	11,995

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

Operating cash outflows from finance leases	\$	821
Financing cash outflows from finance leases		11,615
	\$	12,436

**Note 7. Retirement Plan**

The Organization offers a 403(b) retirement plan for substantially all of the Organization's employees. Contributions to the plan are at the discretion of the Board of Directors and are subject to certain limitations. The minimum service requirement to participate in the plan is one year and 1,000 hours of service. Contributions to the retirement plan for the years ended June 30, 2023 and 2022, totaled \$191,400 and \$131,588, respectively, and are included in salaries and related expenses on the accompanying consolidated statement of functional expenses.

**Note 8. Commitments**

Annual campaigns are conducted from June to January (campaign period) to raise support for programs. Program funds are distributed to participating agencies in the fiscal year that begins July 1 following the campaign period. Allocations payable to agencies and programs in fiscal year 2024 and 2023 are based on the 2023 and 2022 campaigns. Allocations payable are estimated to total \$6,000,000 during the year ended June 30, 2024 and were estimated to be \$4,000,000 during the year ended June 30, 2023.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

**Note 8. Commitments (continued)**

Virginia Beach Relief program funds were distributed after applications for support are reviewed, approved and required documentation is obtained from the various agencies and organizations. For the year ended June 30, 2022, approximately \$9,700,000 funds related to the Virginia Beach Relief program were distributed. The fund was shuttered during the year ended June 30, 2023 and as such no funds were distributed.

The Organization considers allocation and payables to be conditional promises to give. Accordingly, no amounts have been recognized on the accompanying consolidated statements of financial position or activities as of and for the years ended June 30, 2023 and 2022.

**Note 9. Concentrations**

Financial instruments which potentially subject the Organization to risk consist principally of cash investments, such as money market accounts and certificates of deposits, and funds held with security brokers. The Organization places its cash investments with high quality financial institutions that participate in Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) programs. At June 30, 2023, the Organization had \$6,083,439 of cash investments in excess of FDIC limits and \$57,362,046 of investments uninsured and/or in excess of SIPC limits.

Credit risk with respect to unconditional promises to give (pledges) is subject to the inherent nature of such receivables; however, is limited due to the large number of donors comprising the Organization's donor base. Donors are concentrated to the Hampton Roads geographic area. During the year ended June 30, 2023, 11% of total revenue was attributed to one donor. At June 30, 2023, 10% of outstanding unconditional promises to give (pledges) were from one donor.

**Note 10. Funds Held in Trust**

Funds held in trust by others consist of various irrevocable trusts and an endowment fund held by a local community foundation that the Organization has been named beneficiaries of these funds. Funds held in trust by others are composed of the following at fair market value as of June 30:

	<u>2023</u>	<u>2022</u>
Endowment fund held by a local community foundation fund	\$ 874,243	\$ 963,687
Irrevocable trusts	<u>388,685</u>	<u>399,534</u>
Total funds held in trust by others	<u>\$ 1,262,928</u>	<u>\$ 1,363,221</u>

The irrevocable trusts provide that the greater of the trusts' annual income or 5% of the total fair market value of the assets of the trust (based on a three year market value average) be paid to the Organization annually. The Organization is a shared beneficiary of the trusts. Trust Bank serves as the trustee and directs the investment of the trusts' assets. Trust assets in excess of the amounts distributable are permanently restricted.

Spending policies related to the above funds are determined by the related agreements as described above. Investment policies related to these funds are determined by the trustee of the trusts and by the local community foundation for the endowment fund it holds. Funds held in trust by others are reported at fair market value in the accompanying consolidated statement of financial position. Net investment return is reported as with donor restrictions in the accompanying consolidated statement of activities to the extent they exceed the annual amounts distributable as described above. Amounts received as annual income distributions from these funds are without donor restrictions and reported in net realized and unrealized gains in the accompanying consolidated statement of activities.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 11. Fair Value Measurements**

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value:

*Marketable equity securities mutual funds, government and corporate bond mutual funds, real estate mutual funds, money market mutual funds, and alternative investment mutual funds:* Valued at the daily close price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish a daily net asset value and transact at that price.

*Funds held in trust by others:* Funds held in trust by others consists of funds invested in the United Way of South Hampton Roads Endowment Fund managed by the Hampton Roads Community Foundation, the Endowment TEI Fund LP (SF) managed by Wells Fargo as well as the fair value of a split interest agreement. These pooled funds consist of equities and other securities that have active markets as well as alternative investments that do not have readily determinable fair values, real assets and private equity investments. Collectively, however, UWSHR's investment in the Community Foundation cannot be traded on active markets. The fair values of the alternative investments that do not have readily determinable fair values are determined by the investment managers and are based on audited financial statements provided to the investment managers or are based on historical cost, appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the investment manager taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate.

*Hedge fund investments:* The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the hedge fund managers as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 11. Fair Value Measurements (continued)

Fair value of assets measured at June 30:

	<i>Assets at Fair Value as of June 30, 2023</i>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Marketable equity securities	\$ 31,578,232	\$ 31,578,232	\$ -	\$ -
Government and corporate bond	7,491,722	7,491,722	-	-
Money market	2,054,431	2,054,431	-	-
Hedge funds <sup>(1)</sup> :				
Dislocation Offshore	314,542	-	-	-
Global Strategies	5,370,858	-	-	-
Global Managers	4,184,663	-	-	-
Short Duration Common	6,841,399	-	-	-
Funds held in trust by others	<u>1,262,928</u>	<u>388,685</u>	<u>-</u>	<u>874,243</u>
	<u>\$ 59,098,775</u>	<u>\$ 41,513,070</u>	<u>\$ -</u>	<u>\$ 874,243</u>

<sup>1</sup> The fair value amounts for hedge fund investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

	<i>Assets at Fair Value as of June 30, 2023</i>			
	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Dislocation Offshore Hedge Fund <sup>(a)</sup>	\$ 314,542	\$ -	N/A	N/A
Global Strategies Hedge Fund <sup>(b)</sup>	5,370,858	-	Quarterly	90 Days
Global Managers Hedge Fund <sup>(c)</sup>	4,184,663	-	Monthly	15 Business Days
Short Duration Common Trust Fund <sup>(d)</sup>	<u>6,841,399</u>	<u>-</u>	Daily	One Day
	<u>\$ 11,340,604</u>	<u>\$ -</u>		

See Independent Auditor's Report. Notes continued on next page.



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

Note 11. Fair Value Measurements (continued)

	<i>Assets at Fair Value as of June 30, 2022</i>			
	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Marketable equity securities	\$ 27,192,959	\$ 27,192,959	\$ -	\$ -
Government and corporate bond	8,655,855	8,655,855	-	-
Money market	910,443	910,443	-	-
Hedge funds <sup>(1)</sup> :				
Global Strategies	4,963,448	-	-	-
Global Managers	3,977,107	-	-	-
Short Duration Common	6,755,558	-	-	-
Funds held in trust by others	1,363,221	399,534	-	963,687
	<u>\$ 53,818,591</u>	<u>\$ 37,158,791</u>	<u>\$ -</u>	<u>\$ 963,687</u>

<sup>1</sup> The fair value amounts for hedge fund investments presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

	<i>Assets at Fair Value as of June 30, 2022</i>			
	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Global Strategies Hedge Fund <sup>(b)</sup>	\$ 4,963,448	\$ -	Quarterly	90 Days
Global Managers Hedge Fund <sup>(c)</sup>	3,977,107	-	Monthly	15 Business Days
Short Duration Common Trust Fund <sup>(d)</sup>	6,755,558	-	Daily	One Day
	<u>\$ 15,696,113</u>	<u>\$ -</u>		

(a) Invested in global fixed income investments. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. No imposed restrictions.

(b) Invested in public equity, bond and private equity investments. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. 25% of investment is subject to a gate imposed by the hedge fund manager.

(c) Invested in public equity investments. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. No imposed restriction other than redemption notice period for investment.

(d) Invested in fixed income investments. The fair values of the investments in this fund have been estimated using the net asset value per share of the investments. No imposed restriction other than redemption notice period for investment.

See Independent Auditor's Report. Notes continued on next page.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**Note 11. Fair Value Measurements (continued)**

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3):

Fair value, July 1, 2021	\$	923,656
Investment return, net		80,771
Distributions		<u>(40,740)</u>
Fair value, June 30, 2022		963,687
Investment return, net		<b>(45,054)</b>
Distributions		<b><u>(44,390)</u></b>
Fair value, June 30, 2023	\$	<b><u><u>874,243</u></u></b>

**Note 12. Virginia Beach Thrive Fund (VBThrive)**

During the year ended June 30, 2022, the Organization entered into a grant agreement with the City of Virginia Beach to fund and support long-term pandemic recovery by serving the needs of individuals, families and businesses in the City of Virginia Beach in the amount of \$15,000,000. Total funding received under the grant agreement as of June 30, 2023 was \$13,888,637. Grant funds not expended by December 31, 2024 must be returned to the City. Funding is subject to specific terms and conditions outlined in the grant agreement. At June 30, 2023 and 2022, deferred revenue related to the program totaled \$920,848 and \$928,681, respectively.

**Note 13. In-Kind Contributions**

The Organization received the following in-kind contributions during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Free use of facilities	\$ -	\$ 368,790
Program supplies	<u>-</u>	<u>3,534</u>
Total in-kind contributions	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 372,324</u></u></b>

The Organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization received free use of facilities and donated program supplies with a total estimated fair market value of \$372,324 for the year ended June 30, 2022. The gifts were used as part of the Organization's programs. No in-kind contributions were received during the year ended June 30, 2023.

**See Independent Auditor's Report. Notes continued on next page.**

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 14. Endowment Funds**

The Organization's endowment consists of three individual funds (United for the Future, Women United, and African American Leadership Society) established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Currently, the endowment campaign of the Organization is structured to classify all accumulations as board designated net assets until appropriated for expenditure by the Board of Directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 3.5%, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return that meets or exceeds the market. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Organization has a policy of appropriating for distribution each year 3.5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

See Independent Auditor's Report. Notes continued on next page.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended June 30, 2023 and 2022**

**Note 14. Endowment Funds (continued)**

Endowment net asset composition by fund type as of June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 37,336,923	\$ 37,336,923
Board-designated endowment funds	<u>7,812,692</u>	<u>-</u>	<u>7,812,692</u>
	<u>\$ 7,812,692</u>	<u>\$ 37,336,923</u>	<u>\$ 45,149,615</u>

Changes in endowment net assets as of June 30, 2023 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets - beginning of year	\$ 4,127,404	\$ 36,942,143	\$ 41,069,547
Contributions	-	495,074	495,074
Investment return, net	3,685,288	(15,632)	3,669,656
Amounts appropriated for expenditure	<u>-</u>	<u>(84,662)</u>	<u>(84,662)</u>
Endowment net assets - end of year	<u>\$ 7,812,692</u>	<u>\$ 37,336,923</u>	<u>\$ 45,149,615</u>

Endowment net asset composition by fund type as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 36,942,143	\$ 36,942,143
Board-designated endowment funds	<u>4,127,404</u>	<u>-</u>	<u>4,127,404</u>
	<u>\$ 4,127,404</u>	<u>\$ 36,942,143</u>	<u>\$ 41,069,547</u>

Changes in endowment net assets as of June 30, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Endowment net assets - beginning of year	\$ 7,337,840	\$ 32,678,010	\$ 40,015,850
Contributions	4,888,953	4,318,562	9,207,515
Investment return, net	(6,496,265)	9,600	(6,486,665)
Amounts appropriated for expenditure	<u>(1,603,124)</u>	<u>(64,029)</u>	<u>(1,667,153)</u>
Endowment net assets - end of year	<u>\$ 4,127,404</u>	<u>\$ 36,942,143</u>	<u>\$ 41,069,547</u>

See Independent Auditor's Report. Notes continued on next page.

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

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**Note 15. Long-Term Debt**

*Paycheck Protection Program note payable – second draw:*

During February 2021, the Organization obtained a second draw from the SBA Paycheck Protection Program pursuant to the CARES Act. The second draw PPP note payable provide for a \$509,962 unsecured promissory note. Pursuant to the terms of the CARES Act and PPP regulations, all or a portion of the PPP loan may be forgiven. During the year ended June 30, 2022, the note payable was forgiven in full.

*Vehicle note payable:*

During August 2019, the Organization obtained a \$20,210 note payable for the purchase of a vehicle. Pursuant to the terms of the note agreement, monthly payments of \$390, including principal and interest at 5.79%, were required. The note was secured by the vehicle and was due September 2024. At June 30, 2022 \$9,469 was outstanding on the note payable. During the year ended June 30, 2023, the vehicle was sold and the note payable was paid in full.

**Note 16. Subsequent Events**

The Organization has evaluated all subsequent events through November 8, 2023, which is the date these consolidated financial statements were available to be issued.

See Independent Auditor's Report.

*Supplementary Information*

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through To Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>				
Pass through from Virginia Early Childhood Foundation: Maternal and Child Health Services Block Grant to the States	93.994	20_UWSHR_DSI_VDH	\$ -	\$ 53,610
<b>Total U.S. Department of Health and Human Services</b>			<u>-</u>	<u>53,610</u>
<b>U.S. Department of the Treasury</b>				
Pass through from City of Virginia Beach: COVID-19: Coronavirus State and Local Fiscal Recovery Funds Program	21.027	-	<u>-</u>	<u>2,600,258</u>
<b>Total U.S. Department of Treasury</b>			<u>-</u>	<u>2,600,258</u>
<b>Total expenditures of federal awards</b>			<u>\$ -</u>	<u>\$ 2,653,868</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2023**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the **United Way of South Hampton Roads and Affiliates** (collectively referred to as “the Organization”) 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 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported 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 allowable or are limited as to reimbursement.

**Note 3. Indirect Cost Rate**

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4. Pass-Through State Agencies**

Expenditures of federal awards for funds passed through to state agencies are based on information provided by the respective agencies. Pass-through entity identifying numbers are presented where available.

**See Independent Auditor's Report.**



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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**United Way of South Hampton Roads and Affiliates**  
Norfolk, Virginia

We have audited 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, the financial statements of **United Way of South Hampton Roads and Affiliates** (collectively referred to as "the Organization") which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 8, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002.

## **Organization's Response to Findings**

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on it.

## **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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Norfolk, Virginia  
November 8, 2023



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**United Way of South Hampton Roads and Affiliates**  
Norfolk, Virginia

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited **United Way of South Hampton Roads and Affiliates'** (collectively referred to as "the Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization'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, the Organization complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Organization 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 the Organization'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 the Organization'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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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.

Norfolk, Virginia  
November 8, 2023



**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**SUMMARY OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2023

**SECTION I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ No

Significant deficiency(ies) identified?

\_\_\_\_\_ X \_\_\_\_\_ Yes

\_\_\_\_\_ \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ No

Identification of major federal programs:

AL Number(s)

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds Program

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes

\_\_\_\_\_ X \_\_\_\_\_ No

**See Independent Auditor's Report.**

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Year Ended June 30, 2023**

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**SECTION II. FINANCIAL STATEMENT FINDINGS**

**2023-001 Finding – Year End Closing**

*Significant Deficiency*

**Criteria:**

Timely and accurate internal and external financial reporting is an important cornerstone of an organization's control environment. Financial reporting provides the foundation for financial analysis, a critical component needed to be able to respond timely to financial related issues. In addition, accounting principles generally accepted in the United States of America require entities to establish and maintain effective internal control over financial reporting to prepare timely, accurate financial reports.

**Condition and Context:**

During the year ended June 30, 2022, the Organization engaged an outsourced accounting provider to assist with monthly account reconciliations, month-end close, journal entries and financial statement reporting packages. During the year ended June 30, 2023, the Organization disengaged the outsourced accounting provider and hired an in-house employee to perform these services. Due to the change in the accounting system and related accounting processes, the yearend closing process was not comprehensive and did not ensure that account balances were reconciled timely or accurately. Various financial statement elements were not accurately stated. The financial records contained the following errors:

- Investment balances contained multiple errors with respect to activity, contributions to the endowment fund, and ending investment balances;
- Fixed asset balances were not properly reconciled or reported; and
- Net asset balances were not accurately stated with respect to donor restrictions

**Cause:**

The Organization's closing process did not operate effectively to ensure that all transactions were recorded and reconciled timely and accurately.

**Effect or Potential Effect:**

Lack of reconciliation may cause errors to be overlooked. In addition, the financial statements will not properly reflect the financial position of the Organization.

**Recommendation:**

Accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. Therefore, in order to provide more accurate and timely accounting information, we strongly recommend that the Organization establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments.

**See Independent Auditor's Report.**

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**Year Ended June 30, 2023**

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**2023-001 Finding – Year End Closing (continued)**

**Responsible Official's Response:**

Management of the Organization concurs with the audit finding. The year being audited had a change of Controller position at the end of Q3. Following the end of the audit year, and recognizing the finance department challenges, the Organization decided to reorganize the finance department. The new Controller is establishing financial processes and controls, as well as changing the financial software from Blackbaud Financial Edge NXT to QuickBooks and SpendWise for Accounts Payable. The Organization also overhauled its financial tracking system, which included a new chart of accounts, department class codes, and grant tracking. Financial reports are run monthly, which now include actual income and expenses received and due. The Organization has also implemented weekly meetings with Senior Leadership, the Controller, and the Finance Team to resolve any issues and ensure that the department is on track with the new system put in place. New processes track fixed assets, net assets, grants, investments, and allocations, as well as direct imports from the CRM system into QuickBooks.

**2023-002 Finding – Preparation of Schedule of Expenditures of Federal Awards**

*Significant Deficiency*

**Criteria:**

Uniform Guidance requires recipients of federal funds to prepare an accurate schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements being audited.

**Condition and Context:**

Federal awards reported on the SEFA included inaccurate amounts and details. The SEFA reported \$2,600,258 of federal expenditures; however, upon completion of testing this amount was increased by \$53,610. The change in the amount reported on the SEFA was attributed to the addition of a new Federal Program (Pass through from Virginia Early Childhood Foundation: Maternal and Child Health Services Block Grant to the States).

**Cause:**

The Organization's SEFA preparation and review process did not operate effectively to ensure that all federal grants were properly reported.

**Effect or Potential Effect:**

The Organization did not accurately report its federal grant activity in accordance with the Uniform Guidance. Noncompliance with federal grant requirements and lack of proper control exposes the Organization to risk of loss of future funding from federal and state granting agencies.

**Recommendation:**

We recommend that management strengthen their policies and procedures to ensure that federal expenditures reported on the SEFA are complete and accurate. Furthermore, we recommend that the Organization develop a grant summary worksheet that clearly documents the Organization's understanding of the funding source, compliance requirements, and other key information. This worksheet can then be used by management when preparing the SEFA to ensure all information is properly reported.

**See Independent Auditor's Report.**

**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

Year Ended June 30, 2023

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**2023-002**      **Finding – Preparation of Schedule of Expenditures of Federal Awards (continued)**

**Responsible Official's Response:**

Management of the Organization concurs with the audit finding. The Organization has instated a process of monthly recs and monthly internal grant tracking to ensure accuracy within QuickBooks. Both internal and external teams review monthly reports to confirm agreement with expense submissions and outstanding payments to expedite grant billing/reimbursement to the Organization. Reports are run to ensure money received is tracked against expenses for each award and reviewed with Senior Leadership.

**SECTION III.      FEDERAL AWARD FINDINGS**

No matters were reported

**See Independent Auditor's Report.**





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**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**CORRECTIVE ACTION PLAN (UNAUDITED)**

**Year Ended June 30, 2023**

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**Audit Finding Reference:** 2023-001 Finding – Year End Closing

**Planned Corrective Action:** The year being audited had a change of Controller position at the end of Q3. Following the end of the audit year, and recognizing the finance department challenges, the Organization decided to reorganize the finance department. The new Controller is establishing financial processes and controls, as well as changing the financial software from Blackbaud Financial Edge NXT to QuickBooks and SpendWise for Accounts Payable. The Organization also overhauled its financial tracking system, which included a new chart of accounts, department class codes, and grant tracking. Financial reports are run monthly, which now include actual income and expenses received and due. The Organization has also implemented weekly meetings with Senior Leadership, the Controller, and the Finance Team to resolve any issues and ensure that the department is on track with the new system put in place. New processes track fixed assets, net assets, grants, investments, and allocations, as well as direct imports from the CRM system into QuickBooks.

**Name of Contact Person:** Dr. Kristel Fitzgerald, Chief Operating Officer

**Anticipated Completion Date:** Fiscal Year 2024

**Audit Finding Reference:** 2023-002 Finding – Preparation of Schedule of Expenditures of Federal Awards

**Planned Corrective Action:** The Organization has instated a process of monthly recs and monthly internal grant tracking to ensure accuracy within QuickBooks. Both internal and external teams review monthly reports to confirm agreement with expense submissions and outstanding payments to expedite grant billing/reimbursement to the Organization. Reports are run to ensure money received is tracked against expenses for each award and reviewed with Senior Leadership.

**Name of Contact Person:** Dr. Kristel Fitzgerald, Chief Operating Officer

**Anticipated Completion Date:** Fiscal Year 2024

**See Independent Auditor's Report.**

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**UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**Year Ended June 30, 2023**

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There were no findings in prior year.

**See Independent Auditor's Report.**