



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 with Summarized Financial Information for the
Year Ended June 30, 2021

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, 2022, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and its changes in net assets and 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.

Other Matter

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, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 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 9, 2022, 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 9, 2022



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 5,234,789	\$ 5,859,626
Restricted cash	3,947,029	2,318,198
Unconditional promises to give, net	5,936,569	7,131,065
Prepaid expenses and other assets	264,904	149,385
Cash surrender value of life insurance	151,963	144,479
Investments	52,455,370	65,768,629
Funds held in trust by others	1,363,221	1,417,651
Property and equipment, net	<u>1,733,330</u>	<u>723,366</u>
Total assets	\$ <u>71,087,175</u>	\$ <u>83,512,399</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 177,093	\$ 168,551
Allocations and grants payable	370,115	370,115
Capital lease obligation	11,671	19,239
Due to other United Ways, federated agencies and other organizations	5,664,366	6,875,418
Paycheck Protection Program note payable	-	509,962
Vehicle note payable	9,469	14,159
Designations payable - Virginia Beach Tragedy Fund	9,308	6,804
Deferred revenue	<u>928,681</u>	<u>-</u>
Total liabilities	<u>7,170,703</u>	<u>7,964,248</u>
Commitments - See Note 8		
Net Assets		
Without donor restrictions:		
General	7,457,231	5,286,675
Board designated - income from permanently endowed funds	4,127,404	7,337,840
Board designated - impact fund	1,963,758	3,012,697
Board designated - MacKenzie Scott gift	<u>4,850,000</u>	<u>10,000,000</u>
Total net assets without donor restrictions	<u>18,398,393</u>	<u>25,637,212</u>
With donor restrictions:		
Time or purpose restricted	8,575,936	17,232,929
Permanently restricted	<u>36,942,143</u>	<u>32,678,010</u>
Total net assets with donor restrictions	<u>45,518,079</u>	<u>49,910,939</u>
Total net assets	<u>63,916,472</u>	<u>75,548,151</u>
Total liabilities and net assets	\$ <u>71,087,175</u>	\$ <u>83,512,399</u>

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, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	2022			2021 Summarized Total	
	Without Donor Restrictions	With Donor Restrictions Time or Purpose Restricted	Permanently Restricted		Total
PUBLIC SUPPORT AND OTHER REVENUE					
Community campaigns:					
Annual campaign	\$ -	\$ 8,926,412	\$ 621,386	\$ 9,547,798	\$ 8,567,648
United for the Future campaign	701,062	-	3,697,176	4,398,238	5,145,706
Coronavirus relief campaign	-	613	-	613	226,769
Other campaigns	-	477,644	-	477,644	271,722
Less: donor designations	-	(2,819,650)	-	(2,819,650)	(2,712,820)
Net amount available to United Way	701,062	6,585,019	4,318,562	11,604,643	11,499,025
Revenues:					
Virginia Beach Thrive Fund	10,367,531	-	-	10,367,531	-
Less: donor designations	(10,000,000)	-	-	(10,000,000)	-
Grants and other contributions	64,092	1,982,964	-	2,047,056	11,382,584
In-kind contributions	318,301	54,023	-	372,324	75,182
Program administration and contract fees	237,745	-	-	237,745	327,752
Other	100,325	-	-	100,325	126,348
Paycheck Protection Program note payable forgiveness	509,962	-	-	509,962	499,000
Virginia Beach Relief Fund	-	-	-	-	28,820,000
Less: donor designations	-	-	-	-	(12,632,500)
Net assets released from restrictions	17,343,028	(17,278,999)	(64,029)	-	-
Total public support and other revenue	19,642,046	(8,656,993)	4,254,533	15,239,586	40,097,391
EXPENSES					
Program services:					
Distributions to agencies and programs	16,608,546	-	-	16,608,546	24,631,765
Coronavirus relief distributions	30,447	-	-	30,447	1,407,196
Less: donor designations	(2,819,650)	-	-	(2,819,650)	(15,345,320)
Net funds distributed	13,819,343	-	-	13,819,343	10,693,641
Other program services	2,724,493	-	-	2,724,493	2,858,965
Total program services	16,543,836	-	-	16,543,836	13,552,606
Fundraising	1,610,901	-	-	1,610,901	1,408,278
Management and general	1,412,720	-	-	1,412,720	809,722
Unallocated payments to United Way Worldwide	362,523	-	-	362,523	306,242
Total expenses	19,929,980	-	-	19,929,980	16,076,848
OTHER INCOME/EXPENSES					
Investment return, net	(6,950,885)	-	9,600	(6,941,285)	7,620,989
Change in net assets	(7,238,819)	(8,656,993)	4,264,133	(11,631,679)	31,641,532
Net assets - beginning of year	25,637,212	17,232,929	32,678,010	75,548,151	43,906,619
Net assets - end of the year	\$ 18,398,393	\$ 8,575,936	\$ 36,942,143	\$ 63,916,472	\$ 75,548,151

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, 2022 with Summarized Financial Information for the Year Ended June 30, 2021

	2022				2021 Summarized Total
	Program Services	Support Services		Total	
		Fundraising	Management and General		
Community impact program expense	\$ 946,666	\$ -	\$ -	\$ 946,666	\$ 1,233,340
Conferences, conventions and training	17,215	128,694	12,913	158,822	26,618
Depreciation and amortization	15,216	35,504	50,720	101,440	84,089
Interest	-	-	1,537	1,537	2,116
Membership dues	-	-	3,628	3,628	3,468
Miscellaneous	6,855	528	36,281	43,664	31,549
Occupancy	30,844	28,875	34,430	94,149	84,648
Office supplies	17,524	28,522	13,372	59,418	58,472
Personnel recruitment	-	4,120	3,916	8,036	835
Postage	1,282	8,422	6,347	16,051	46,921
Printing and publications	19,079	50,495	18,864	88,438	58,660
Professional fees	52,718	53,330	270,977	377,025	394,331
Promotion and advertising	-	69,741	-	69,741	35,923
Rental and maintenance of equipment	255,079	198,021	272,027	725,127	246,535
Salaries and related expenses	1,351,564	961,402	680,508	2,993,474	2,730,098
Telephone	7,272	6,047	4,895	18,214	12,680
Travel	3,179	6,306	2,305	11,790	6,795
United Way combined charities campaign	-	30,894	-	30,894	19,887
Total expenses	2,724,493	1,610,901	1,412,720	5,748,114	5,076,965
Program services - net funds distributed	13,819,343	-	-	13,819,343	10,693,641
	<u>\$ 16,543,836</u>	<u>\$ 1,610,901</u>	<u>\$ 1,412,720</u>	19,567,457	15,770,606
Unallocated payments to United Way Worldwide				362,523	306,242
Total expenses				<u>\$ 19,929,980</u>	<u>\$ 16,076,848</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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (11,631,679)	\$ 31,641,532
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	101,440	84,089
Realized and unrealized losses/(gains), net - endowment	6,486,665	(5,937,102)
Realized and unrealized losses/(gains), net - operating	1,132,229	(2,791,600)
Contributions received restricted to permanent endowment	(4,318,562)	(4,916,202)
Change in allowance for uncollectible pledges	20,617	(226,167)
Change in net present value of unconditional promises to give	(9,213)	(54,356)
Paycheck Protection Program note payable forgiveness	(509,962)	(499,000)
Loss on disposal of property and equipment	9,913	-
Decrease (increase) in assets:		
Unconditional promises to give	1,183,092	1,173,208
Prepaid expenses and other assets	(115,519)	40,663
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,542	1,090
Allocations and grants payable	-	(476,956)
Due to other United Ways, federated agencies and other organizations	(1,211,052)	1,906,069
Designations payable - Virginia Beach Tragedy Fund	2,504	(24,490)
Deferred revenue	928,681	(124,872)
Net cash (used in) provided by operating activities	(7,922,305)	19,795,906
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,121,317)	(21,734)
Change in value of cash surrender value of life insurance	(7,484)	(7,377)
Proceeds from sale of investments	13,767,689	40,082,880
Purchases of investments	(8,018,893)	(66,022,528)
Net cash provided by (used in) investing activities	4,619,995	(25,968,759)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted to permanent endowment	4,318,562	4,916,202
Principal payments on capital leases	(7,568)	(7,725)
Proceeds from issuance of Paycheck Protection Program note payable	-	509,962
Principal payments on vehicle note payable	(4,690)	(2,981)
Net cash provided by financing activities	4,306,304	5,415,458
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,003,994	(757,395)
Cash, cash equivalents, and restricted cash - beginning of year	8,177,824	8,935,219
Cash, cash equivalents, and restricted cash - end of year	\$ 9,181,818	\$ 8,177,824

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ <u>1,537</u>	\$ <u>2,116</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING INFORMATION		
Property and equipment acquired through issuance of capital lease (Note 6)	\$ <u>-</u>	\$ <u>10,918</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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

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.

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,234,789	\$ 5,859,626
Restricted cash - donor restrictions	2,190,060	428,013
Restricted cash - disaster funds (VB Relief, Coronavirus Recovery, VB Thrive)	937,321	1,501,868
Restricted cash - endowed funds	<u>819,648</u>	<u>388,317</u>
	<u>\$ 9,181,818</u>	<u>\$ 8,177,824</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, 2022 and 2021.

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 receivables 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 2.70% in the accompany 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.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 2. Significant Accounting Policies (continued)

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

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.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 2. Significant Accounting Policies (continued)

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.

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 statement of activities as net assets released from donor 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.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 2. Significant Accounting Policies (continued)

Revenue and revenue recognition (continued):

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 accounts 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 will remain as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been "legally released" or (2) the Organization pays off the loan to the creditor. Maturities are reported based on contractually due amounts.

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.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 2. Significant Accounting Policies (continued)

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, 2021, from which the summarized information was derived.

Recent accounting pronouncements:

In July 2018, the FASB issued Accounting Standards Update 2018-11, "Leases (Topic 842): Targeted Improvements" (ASU 2018-11), and Accounting Standards Update 2018-10, "Codification Improvements to Topic 842, Leases" ASU (2018-10). The amendments in ASU 2018-11 provide for an additional and optional transition method that allows an entity to initially apply ASC Topic 842 at the adoption date and recognize a cumulative effect adjustment to its opening balance of retained earnings in the period of adoption and continue its reporting for the comparative periods presented in accordance with the current lease guidance, ASC Topic 840. The amendments in ASU 2018-10 provide additional clarification and implementation guidance on certain aspects of the previously issued Accounting Standards Update 2016-02, "Leases (Topic 842)" (ASU 2016-02) and have the same effective and transition requirements as ASU 2016-02. Upon the effective date, ASU 2016-02 will supersede the current lease guidance in ASC Topic 840. Under the new guidance, lessees will be required to recognize for all leases, with the exception of short-term leases, a lease liability, which is a lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Concurrently, lessees will be required to recognize a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. In October 2019, the FASB issued Accounting Standards Update 2019-10, "Leases (Topic 842): Effective Dates" (ASU 2019-10). The amendments in ASU 2019-10 extended the effective date of the previously issued Accounting Standards Update 2016-02.

In June 2020, the FASB issued Accounting Standards Update 2020-05, "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities" (ASU 2020-05). This update provides for a limited deferral of the effective dates of previously issued ASU 2016-02. Under the amendment, the new lease standard is effective for entities with annual reporting periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022 with early adoption permitted. The Organization is currently evaluating the impact of adopting ASU 2020-05 upon its financial statements in future reporting periods. The Organization has not yet selected a transition method.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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.

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,234,789	\$ 5,859,626
Restricted cash	3,947,029	2,318,198
Unconditional promises to give, net	5,936,569	7,131,065
Investments	52,455,370	65,768,629
Funds held in trust by others	1,363,221	1,417,651
Total financial assets	<u>68,936,978</u>	<u>82,495,169</u>
Restricted cash	(3,947,029)	(2,318,198)
Long-term unconditional promises to give, net	(2,375,885)	(2,375,885)
Deferred revenue	(928,681)	-
Designated by board - income from permanently endowed funds	(4,127,404)	(7,337,840)
Designated by board - operating fund	(1,963,758)	(3,012,697)
Designated by board - MacKenzie Scott gift	(4,850,000)	(10,000,000)
With donor restriction - permanently restricted, less outstanding endowment unconditional promises to give	<u>(34,399,281)</u>	<u>(29,136,669)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,344,940</u>	<u>\$ 28,313,880</u>

Note 4. Unconditional Promises to Give

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

	<u>2022</u>			
	<u>Total</u>	<u>Allowances for</u>	<u>Net Present Value</u>	
	<u>Receivable</u>	<u>Uncollectible</u>	<u>Discounts</u>	<u>Net</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>

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 4. Unconditional Promises to Give (continued)

	<u>2021</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	\$ 4,281,708	\$ (1,014,223)	\$ -	\$ 3,267,485
United for the Future campaign	3,878,045	(296,358)	(40,346)	3,541,341
Other campaigns	<u>354,954</u>	<u>(32,715)</u>	<u>-</u>	<u>322,239</u>
	<u>\$ 8,514,707</u>	<u>\$ (1,343,296)</u>	<u>\$ (40,346)</u>	<u>\$ 7,131,065</u>
Due in less than one year				\$ 4,755,180
Due in less than five years				<u>2,375,885</u>
				<u>\$ 7,131,065</u>

Note 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 2,181,187	\$ 1,507,654
Computer software	36,050	465,242
Office furniture and equipment	308,484	277,668
Data processing equipment	181,873	298,542
Land	186,000	186,000
Transportation equipment	<u>32,163</u>	<u>32,163</u>
	<u>2,925,757</u>	2,767,269
Less accumulated depreciation	<u>(1,192,427)</u>	<u>(2,043,903)</u>
	<u>\$ 1,733,330</u>	<u>\$ 723,366</u>

Note 6. Capital Leases

The Organization is the lessee of office equipment under capital leases expiring in various years through 2026. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization expense for the years ended June 30, 2022 and 2021 totaled \$7,183 and \$7,002, respectively. Amortization of assets under capital leases is included in depreciation expense.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 6. Capital Leases (continued)

The following is a summary of property held under capital leases:

	2022	2021
Office equipment	\$ 35,918	\$ 35,918
Accumulated amortization	(25,018)	(17,835)
	\$ 10,900	\$ 18,083

Minimum future lease payments under capital leases as of June 30 are as follows:

2023	\$ 7,342
2024	2,348
2025	2,348
2026	64
Net minimum leases payments	12,102
Amounts representing interest	(431)
Present value of net future minimum lease payments	\$ 11,671

Interest rates on capitalized leases vary from 2.47% to 11.3% and are imputed based on the Organization's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return. Certain capital leases provide renewal or purchase options. Generally, purchase options are at prices representing the expected fair value of the property at the expiration of the lease term.

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, 2022 and 2021, totaled \$131,588 and \$172,746, 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 2023 and 2022 are based on the 2022 and 2021 campaigns, respectively, and are estimated to total \$4,000,000 each year.

Virginia Beach Relief program funds are distributed after applications for support have been 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 Organization considers allocation and Virginia Beach Relief contribution 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, 2022 and 2021.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

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, 2022, the Organization had \$8,999,171 of cash investments in excess of FDIC limits and \$51,955,370 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, 2022, 19% of total revenue was attributed to 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>2022</u>	<u>2021</u>
Endowment fund held by a local community foundation fund	\$ 963,687	\$ 923,656
Irrevocable trusts	<u>399,534</u>	<u>493,995</u>
Total funds held in trust by others	<u>\$ 1,363,221</u>	<u>\$ 1,417,651</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.

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).

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 11. Fair Value Measurements (continued)

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 funds 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.

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 11. Fair Value Measurements (continued)

Fair value of assets measured at June 30:

	<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 ⁽¹⁾ :				
Global Strategies	4,963,448	-	-	-
Global Managers	3,977,107	-	-	-
Short Duration Common	6,755,558	-	-	-
Funds held in trust by others	<u>1,363,221</u>	<u>399,534</u>	<u>-</u>	<u>963,687</u>
	<u>\$ 53,818,591</u>	<u>\$ 37,158,791</u>	<u>\$ -</u>	<u>\$ 963,687</u>

¹ 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 ^(a)	\$ 4,963,448	\$ -	Quarterly	90 Days
Global Managers Hedge Fund ^(b)	3,977,107	-	Monthly	15 Business Days
Short Duration Common Trust Fund ^(c)	<u>6,755,558</u>	<u>-</u>	Daily	One Day
	<u>\$ 15,696,113</u>	<u>\$ -</u>		

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UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021

Note 11. Fair Value Measurements (continued)

	<i>Assets at Fair Value as of June 30, 2021</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	\$ 28,413,204	\$ 28,413,204	\$ -	\$ -
Government and corporate bond	9,839,182	9,839,182	-	-
Money market	1,747,095	1,747,095	-	-
Hedge funds ⁽¹⁾ :				
Global Strategies	4,258,221	-	-	-
Global Managers	3,001,546	-	-	-
Short Duration Common	15,006,258	-	-	-
Treasury bills	3,503,123	3,503,123	-	-
Funds held in trust by others	1,417,651	493,995	-	923,656
	<u>\$ 67,186,280</u>	<u>\$ 43,996,599</u>	<u>\$ -</u>	<u>\$ 923,656</u>

¹ 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, 2021</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 ^(a)	\$ 4,258,221	\$ -	Quarterly	90 Days
Global Managers Hedge Fund ^(b)	3,001,546	-	Monthly	15 Business Days
Short Duration Common Trust Fund ^(c)	15,006,258	-	Daily	One Day
	<u>\$ 22,266,025</u>	<u>\$ -</u>		

(a) 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.

(b) 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.

(c) 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, 2022 and 2021

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, 2020	\$	740,614
Investment return, net		254,182
Distributions		<u>(71,140)</u>
Fair value, June 30, 2021		923,656
Investment return, net		80,771
Distributions		<u>(40,740)</u>
Fair value, June 30, 2022	\$	<u><u>963,687</u></u>

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, 2022 was \$11,296,212. 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, 2022 deferred revenue related to the program totaled \$928,681. There was no deferred revenue related to VBthrive at June 30, 2021.

Note 13. In-Kind Contributions

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

	<u>2022</u>	<u>2021</u>
Free use of facilities	\$ 368,790	\$ -
Program supplies	<u>3,534</u>	<u>75,182</u>
Total funds held in trust by others	\$ <u><u>372,324</u></u>	\$ <u><u>75,182</u></u>

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 and \$75,182 for the years ended June 30, 2022 and 2021, respectively. The gifts were used as part of the Organization's programs.

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, 2022 and 2021

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, 2022 and 2021

Note 14. Endowment Funds (continued)

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>

Endowment net asset composition by fund type as of June 30, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
Donor-restricted endowment funds	\$ -	\$ 32,678,010	\$ 32,678,010
Board-designated endowment funds	<u>7,337,840</u>	<u>-</u>	<u>7,337,840</u>
	<u>\$ 7,337,840</u>	<u>\$ 32,678,010</u>	<u>\$ 40,015,850</u>

Changes in endowment net assets as of June 30, 2021 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	\$ 1,789,590	\$ 27,483,781	\$ 29,273,371
Contributions	427,968	4,916,202	5,344,170
Investment return, net	5,584,396	352,706	5,937,102
Amounts appropriated for expenditure	<u>(464,114)</u>	<u>(74,679)</u>	<u>(538,793)</u>
Endowment net assets - end of year	<u>\$ 7,337,840</u>	<u>\$ 32,678,010</u>	<u>\$ 40,015,850</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, 2022 and 2021

Note 15. Long-Term Debt

Paycheck Protection Program note payable – first draw:

During April 2020, the Organization received an SBA 7(a) Paycheck Protection Program (PPP) note payable pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small business Administration (SBA). The PPP note payable provided for a \$499,000 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, 2021, the note payable was forgiven in full.

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%, are required. The note is secured by the vehicle and is due September 2024. At June 30, 2022 and 2021, \$9,469 and \$14,159, respectively was outstanding on the note payable.

Future maturities required on long-term debt at June 30, 2021 are as follows:

2023	\$	4,220
2024		4,471
2025		<u>778</u>
	\$	<u><u>9,469</u></u>

Note 16. Risks and Uncertainties

In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. The pandemic remains ongoing and multiple variants have been identified that continue to create uncertainty within the Organization's industry. As of the date the consolidated financial statements were available to be issued, the Organization's operations have not been significantly impacted by the COVID-19 outbreak. However, management cannot reasonably estimate at this time the specific extent, duration, or full impact that the COVID-19 pandemic will have on its financial condition, collections and operations.

Note 17. Subsequent Events

The Organization has evaluated all subsequent events through November 9, 2022, 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, 2022

<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>
U.S. Department of Health and Human Services				
Pass through from Virginia Early Childhood Foundation: Maternal and Child Health Federal Consolidated Programs	93.110	20_UWSHR_DSI_VDH	\$ -	\$ <u>61,864</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>61,864</u>
U.S. Department of the Treasury				
Pass through from City of Virginia Beach: COVID-19: Coronavirus State and Local Fiscal Recovery Funds Program	21.027	-	<u>10,000,000</u>	<u>10,367,531</u>
Total U.S. Department of Treasury			<u>10,000,000</u>	<u>10,367,531</u>
Total expenditures of federal awards			<u>\$ 10,000,000</u>	<u>\$ 10,429,395</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, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the of **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, 2022. 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.

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, 2022, 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 9, 2022.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the 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 9, 2022

A handwritten signature in black ink that reads "Will Eubank + Chewitree P.C." The signature is written in a cursive, professional style.

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, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 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 9, 2022



UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

SUMMARY OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

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?

_____ Yes

X 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

SECTION II. FINANCIAL STATEMENT FINDINGS

None noted

SECTION III. FEDERAL AWARD FINDINGS

None noted

See Independent Auditor's Report.

UNITED WAY OF SOUTH HAMPTON ROADS AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2022

No compliance audit was required in the prior year.

See Independent Auditor's Report.