

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**With Summarized Comparative Financial Information  
for the Year Ended December 31, 2020**

# FRANKLIN/SOUTHAMPTON AREA UNITED WAY

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## **INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Franklin/Southampton Area United Way  
Franklin, Virginia

### **Opinion**

We have audited the accompanying financial statements of Franklin/Southampton Area United Way (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin/Southampton Area United Way as of December 31, 2021, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franklin/Southampton Area United Way 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 Financial Statements**

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

## **Report on Summarized Comparative Information**

We have previously audited the Franklin/Southampton Area United Way's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Barnes, Brack, Cornwell & Painter, PLLC*

Windsor, Virginia  
November 1, 2022

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2021**

**With Comparative Financial Information as of December 31, 2020**

<b>ASSETS</b>		<b>2021</b>	<b>Comparative 2020</b>
		<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$	140,141	\$ 161,519
Pledges receivable, net		87,097	27,900
Total current assets	\$	<u>227,238</u>	<u>\$ 189,419</u>
 <b>EQUIPMENT:</b>			
Computer equipment	\$	10,099	\$ 10,099
Less accumulated depreciation		(9,240)	(8,791)
Net equipment	\$	<u>859</u>	<u>\$ 1,308</u>
 <b>OTHER ASSETS -</b>			
Investments at fair value	\$	<u>178,989</u>	<u>\$ 161,860</u>
Total assets	\$	<u><u>407,086</u></u>	<u><u>\$ 352,587</u></u>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses	\$	58,256	\$ 49,500
Payroll taxes payable		844	841
Total current liabilities	\$	<u>59,100</u>	<u>\$ 50,341</u>
 <b>NET ASSETS:</b>			
Without donor restrictions	\$	215,838	\$ 171,391
With donor restrictions		132,148	130,855
Total net assets	\$	<u>347,986</u>	<u>\$ 302,246</u>
Total liabilities and nets assets	\$	<u><u>407,086</u></u>	<u><u>\$ 352,587</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

With Summarized Financial Information for the Year Ended December 31, 2020

	2021		Total	Summarized
	Without Donor Restrictions	With Donor Restrictions		2020 Total
<b>OPERATING REVENUE AND SUPPORT:</b>				
Gross Campaign Results				
Contributions and grants	\$ 90,741	\$ 132,148	\$ 222,889	\$ 164,427
Less: Provision for uncollectible pledges	(504)	-	(504)	(10,290)
Net campaign revenue	90,237	132,148	222,385	154,137
Various fundraisers, net of expenses	(2,614)	-	(2,614)	5,635
Other income	155	-	155	277
Net assets released from restrictions	130,855	(130,855)	-	-
Total operating revenue and support	<u>\$ 218,633</u>	<u>\$ 1,293</u>	<u>\$ 219,926</u>	<u>\$ 160,049</u>
<b>EXPENSES:</b>				
Program services	\$ 158,101	\$ -	\$ 158,101	\$ 110,554
Management and general	22,823	-	22,823	26,973
Fundraising	12,220	-	12,220	21,213
Total expenses	<u>\$ 193,144</u>	<u>\$ -</u>	<u>\$ 193,144</u>	<u>\$ 158,740</u>
<b>NON-OPERATING ACTIVITIES:</b>				
Interest income	\$ 403	\$ -	\$ 403	\$ 272
Investment income - net	2,480	-	2,480	2,307
Unrealized gain (loss) on investments	4,001	-	4,001	11,479
Realized gain (loss) on investments	12,074	-	12,074	4,379
Total non-operating activities	<u>\$ 18,958</u>	<u>\$ -</u>	<u>\$ 18,958</u>	<u>\$ 18,437</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 44,447</u>	<u>\$ 1,293</u>	<u>\$ 45,740</u>	<u>\$ 19,746</u>
<b>NET ASSETS - Beginning of Year</b>	<u>171,391</u>	<u>130,855</u>	<u>302,246</u>	<u>282,500</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 215,838</u>	<u>\$ 132,148</u>	<u>\$ 347,986</u>	<u>\$ 302,246</u>

See independent auditor's report and accompanying notes to the financial statements.

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**With Summarized Financial Information for the Year Ended December 31, 2020**

	2021					Summarized 2020 Total
	<u>PROGRAM ACTIVITIES</u>	<u>SUPPORTING ACTIVITIES</u>			<u>Total</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Supporting Subtotal</u>		
Gross allocations to agencies	\$ 120,500	\$ -	\$ -	\$ -	\$ 120,500	\$ 99,000
Less: donor allocations to agencies	-	-	-	-	-	-
Net allocations to agencies	120,500	-	-	-	120,500	99,000
Community programs	4,758	-	-	-	4,758	2,073
Covid-19 relief	6,150	-	-	-	6,150	1,024
Disaster relief	750	-	-	-	750	-
Salaries	23,400	9,750	5,850	15,600	39,000	35,850
Payroll taxes	1,790	746	447	1,193	2,983	2,742
Publicity and advertising	-	-	1,184	1,184	1,184	861
Donation tracker	-	-	832	832	832	792
Office and postage expense	-	1,024	683	1,707	1,707	1,394
Website and internet expense	-	1,220	-	1,220	1,220	1,136
Accounting and legal fees	-	4,125	-	4,125	4,125	4,335
Depreciation expense	-	449	-	449	449	448
Miscellaneous expense	-	754	-	754	754	110
Insurance	-	1,813	-	1,813	1,813	1,769
Conferences and training expense	-	26	26	52	52	20
Travel expense	-	518	-	518	518	384
Telephone	-	966	-	966	966	911
Occupancy	-	678	-	678	678	858
Supplies and fundraising costs	-	-	2,444	2,444	2,444	2,817
United Way World Wide dues	753	754	754	1,508	2,261	2,216
<b>Total expenses</b>	<b>\$ 158,101</b>	<b>\$ 22,823</b>	<b>\$ 12,220</b>	<b>\$ 35,043</b>	<b>\$ 193,144</b>	<b>\$ 158,740</b>

See independent auditor's report and accompanying notes to the financial statements.



**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**With Comparative Financial Information for the Year Ended December 31, 2020**

	<b>2021</b>	<b>Comparative 2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 45,740	\$ 19,746
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	449	448
Interest income	(403)	(272)
Investment income - net	(2,480)	(2,317)
Realized (gain) loss on investments	(12,074)	(4,379)
Unrealized (gain) loss on investments	(4,001)	(11,479)
(Increase) decrease in assets:		
Pledges receivable, net	(59,197)	20,977
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	8,756	(3,250)
Payroll taxes payable	3	(587)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ (23,207)</b>	<b>\$ 18,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from of sale of investments	\$ 49,321	\$ 99,577
Purchase of investment securities	(50,375)	(75,355)
Interest income	403	272
Investment income - net	2,480	2,317
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 1,829</b>	<b>\$ 26,811</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net cash provided (used) by financing activities	\$ -	\$ -
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (21,378)</b>	<b>\$ 45,698</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>161,519</b>	<b>115,821</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 140,141</b>	<b>\$ 161,519</b>

See independent auditor's report and accompanying notes to the financial statements.

## FRANKLIN/SOUTHAMPTON AREA UNITED WAY

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

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#### NOTE 1 – ORGANIZATION:

The Franklin/Southampton Area United Way is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization solicits donations from the public and area businesses which it then contributes to worthy civic and charitable organizations in the area. Its mission is to improve people's lives and strengthen the community.

#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

##### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accrual basis of accounting recognizes income when earned and expenses when incurred.

##### Basis of Presentation

These financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups with donor restrictions and without donor restrictions.

These two groups are defined as follows:

- *Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- *Net assets with donor restrictions*: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature whereby the donor has stipulated the funds be maintained in perpetuity.

The Organization follows the provisions of the Financial Accounting Standards Board *Accounting Standards Codification (FASB ASC)*.

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2020**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Donated Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in the fundraising. The Organization also received donated facility use of \$7,200. No amounts have been recognized in the statement of activities for donated services.

Pledges Receivable

Pledges are solicited in April of each year for the succeeding calendar year. Many of the pledges are paid during the campaign period and the balances are often remitted monthly by payroll deduction or quarterly during the year. Pledges receivable for the active campaigns were \$92,739, of which \$5,642 is considered uncollectible by management for a net of \$87,097. Net pledges receivable for the prior year were \$27,900, respectively. The Board budgets an expected loss of at least 3% each year.

Investments

The Organization records investments at fair market value based on quoted prices in active markets (all Level 1 measurements) and are classified by management as available-for-sale. Cost used in the determination of gains and losses on sales of investments is based on the specific cost of the investment sold.

Revenue Recognition

The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

## FRANKLIN/SOUTHAMPTON AREA UNITED WAY

### NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

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#### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

##### Equipment

Equipment is recorded at cost. Replacements of equipment are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. Depreciation has been provided using the straight-line method over the estimated useful lives of assets. The estimated useful lives of the assets are as follows:

Computer equipment	5-7 years
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Depreciation expense amounted to \$449 and \$448 for the years ended December 31, 2021 and 2020, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### Contributions and Grants

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

##### Summarized Comparative Information

The financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's prior year financial statements, from which the summarized information was derived.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash and cash equivalents to include all deposits in banks and highly liquid investments with original maturity dates of less than three months.

FRANKLIN/SOUTHAMPTON AREA UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Functional Allocation of Expenses

The costs of providing the Organization’s various programs and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated to the program and the supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense:</u>	<u>Method of Allocation:</u>
Allocations to agencies	Reasonable basis consistently applied
Community programs	Reasonable basis consistently applied
Covid-19 relief	Reasonable basis consistently applied
Disaster relief	Reasonable basis consistently applied
Salaries	Time and effort
Payroll taxes	Time and effort
Publicity and advertising	Reasonable basis consistently applied
Donation tracker	Reasonable basis consistently applied
Office and postage expense	Reasonable basis consistently applied
Website and internet expense	Reasonable basis consistently applied
Accounting and legal fees	Reasonable basis consistently applied
Depreciation expense	Reasonable basis consistently applied
Miscellaneous expense	Reasonable basis consistently applied
Insurance	Reasonable basis consistently applied
Conferences and training expense	Reasonable basis consistently applied
Travel expense	Reasonable basis consistently applied
Telephone	Reasonable basis consistently applied
Occupancy	Reasonable basis consistently applied
Supplies and fundraising costs	Reasonable basis consistently applied
United Way World Wide dues	Reasonable basis consistently applied

Advertising Costs

The Organization expenses the cost of advertising when incurred. Advertising costs amounted to \$1,184 and \$861 for the years ended December 31, 2021 and 2020, respectively.

FRANKLIN/SOUTHAMPTON AREA UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes

The Organization, is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2021, 2020 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. Beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). All of a depositor's accounts at an insured depository institution, including all non-interest bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000, for each deposit insurance ownership category. At times the balances may be in excess of federal insured limits. For the years ended December 31, 2021 and 2020, the Organization had no demand deposits on hand in financial institutions that exceeded depositor's insurance provided by the applicable guaranty agency.

FRANKLIN/SOUTHAMPTON AREA UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

New Accounting Pronouncement

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 creates a single framework for recognizing revenue from contracts with customers that fall within its scope. The objective is to allow financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows resulting from contracts with customers.

In June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 provides clarifying guidance on accounting for the grants and contracts of not-for-profit organizations as they relate to the new revenue standard (ASU 2014-09, Revenue from Contracts with Customers). The objective is to minimize diversity in the classification of grants and contracts that exists under current guidance.

The Organization adopted both of the ASU's effective January 1, 2020 using the prospective method. The adoption of these standards did not result in significant changes to the Organization's accounting policies or impact its financial position, changes in net assets or cash flows.

NOTE 3 – CASH AND CASH EQUIVALENTS:

The Organization maintains cash in demand deposit accounts with federally insured banks. The account balances as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Checking and Money Market - BFCU	\$ 109,130	\$ 119,243
Cash and Sweep Balances - Wells Fargo	31,011	29,655
Certificate of Deposit - BFCU	-	12,621
	<u>\$ 140,141</u>	<u>\$ 161,519</u>

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist mostly of utilities and the fourth installment of the grant allocations to agencies that were paid after year end. The account balances were \$58,256 and \$49,500 as of December 31, 2021 and 2020, respectfully.

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2020**

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**NOTE 5 – RELATED PARTY TRANSACTIONS:**

The Organization did not have any related party transactions for tax years 2021 or 2020.

**NOTE 6 – FAIR VALUE MEASUREMENTS:**

FASB (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB (ASC) 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the company 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 assets or liability;
- 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 level 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

*Mutual funds and exchange-traded funds (ETFs)*: Valued at the net asset value (NAV) of shares held by the Organization at year end.



**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2020**

**NOTE 6 – FAIR VALUE MEASUREMENTS (Continued):**

*Common stocks, corporate bonds and U.S. government securities*: Valued at the closing price reported on the active market on which the individual securities are traded.

*Guaranteed investment contract*: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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 fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, The Organization's assets at fair value as of December 31, 2021 and 2020 are as follows:

**Assets at Fair Value as of December 31, 2021:**

	Level 1	Level 2	Level 3	Total
Mutual funds and ETFs	\$ 178,989	\$ -	\$ -	\$ 178,989
Certificates of deposit	-	-	-	-
Total assets at fair value	\$ 178,989	\$ -	\$ -	\$ 178,989

**Assets at Fair Value as of December 31, 2020:**

	Level 1	Level 2	Level 3	Total
Mutual funds and ETFs	\$ 161,850	\$ -	\$ -	\$ 161,850
Certificates of deposit	-	-	-	-
Total assets at fair value	\$ 161,850	\$ -	\$ -	\$ 161,850

**NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets were released from donor restrictions by incurring expenses satisfying the temporarily restricted purposes or by occurrence of other events specified by donor. Net assets released from restrictions from program expenses were \$130,855 for 2021 and \$114,269 for 2020.

FRANKLIN/SOUTHAMPTON AREA UNITED WAY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021

With Summarized Comparative Financial Information for the Year Ended December 31, 2020

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NOTE 8 – LEASES:

The Organization did not enter into any leases for tax years 2021 or 2020.

NOTE 9 – RESTRICTION ON NET ASSETS:

The Organization has restrictions on net assets that are considered to be temporarily restricted. They represent contributions and grants designated for the 2022 campaign that were received in 2021 and 2021 contributions and grants received in 2020. Net assets with donor restrictions at December 31, 2021 and 2020 were \$132,148 and \$130,855.

NOTE 10 – COMPENSATED ABSENCES:

Compensated absences for vacation and sick leave have not been accrued because the amounts are not readily available. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE 11 – LIQUIDITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	2021	2020
Cash and cash equivalents	\$ 140,141	\$ 161,519
Pledges receivable, net	87,097	27,900
Total financial assets	<u>227,238</u>	<u>189,419</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(132,148)</u>	<u>(130,855)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 95,090</u>	<u>\$ 58,564</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

**FRANKLIN/SOUTHAMPTON AREA UNITED WAY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**With Summarized Comparative Financial Information for the Year Ended December 31, 2020**

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**NOTE 12 – COVID:**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Organization has modified operations which resulted in a reduction of fundraising revenue. Fundraising events for the entire year have been modified or canceled, therefore a significant loss of fundraising revenue is anticipated. The future effects of these issues are unknown.

**NOTE 13 – SUBSEQUENT EVENTS:**

Subsequent events were evaluated through November 1, 2022, which is the date the financial statements were available to be issued. No events have occurred subsequent to the financial statement date and through November 1, 2022 that would require adjustment to, or disclosure in, the financial statements.