

**Young Women's
Christian Association of
South Hampton Roads**

**Independent Auditor's Report,
Financial Statements, and
Supplementary Information**

June 30, 2022 and 2021



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Independent Auditor's Report

Board of Directors
Young Women's Christian Association of South Hampton Roads
Norfolk, VA

Opinion

We have audited the financial statements of Young Women's Christian Association of South Hampton Roads (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Young Women's Christian Association of South Hampton Roads as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years 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 Financial Statements section of our report. We are required to be independent of Young Women's Christian Association of South Hampton Roads 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 Young Women's Christian Association of South Hampton Roads' ability to continue as a going concern for 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 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 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 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 Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, on our consideration of Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of south Hampton Road'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 Young Women's Christian Association of South Hampton Road's internal control over financial reporting and compliance.

FORVIS,LLP

**Norfolk, VA
February 6, 2023**

Young Women's Christian Association of South Hampton Roads
Statements of Financial Position
June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 2,409,151	\$ 2,679,671
Investments, at fair value	1,059,628	1,223,407
Accounts and grants receivable	345,375	385,630
Promises to give, current	5,365	20,042
Other current assets	4,039	12,321
	<hr/>	<hr/>
Total current assets	3,823,558	4,321,071
Long-term promises to give	131,370	175,500
Property and equipment, net	743,516	784,439
	<hr/>	<hr/>
	\$ 4,698,444	\$ 5,281,010
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24,079	\$ 51,841
Accrued payroll and payroll taxes	148,648	151,283
Contract liability	3,518	3,133
	<hr/>	<hr/>
Total current liabilities	176,245	206,257
Net assets:		
Without donor restrictions	4,072,904	4,680,896
Without donor restrictions, Board designated	68,113	68,106
	<hr/>	<hr/>
Total net assets without donor restrictions	4,141,017	4,749,002
Net assets with donor restrictions	381,182	325,751
	<hr/>	<hr/>
	4,522,199	5,074,753
	<hr/>	<hr/>
	\$ 4,698,444	\$ 5,281,010
	<hr/>	<hr/>

Young Women's Christian Association of South Hampton Roads
Statements of Activities
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Support and revenues without donor restrictions:		
Support:		
Unrestricted contributions	\$ 154,537	\$ 2,145,191
United Way	281,424	274,086
Program fees	71,954	119,281
Contributed nonfinancial assets	70,856	33,821
Special events	13,418	22,275
Net assets released from restrictions	<u>2,270,372</u>	<u>2,452,036</u>
	<u>2,862,561</u>	<u>5,046,690</u>
Revenue:		
Investment income	40,156	29,177
Gain on extinguishment of PPP note payable	-	376,877
(Loss) gain on sale of property and equipment	(452)	338,520
Net realized and unrealized (loss) gain on investments	<u>(189,293)</u>	<u>209,167</u>
	<u>(149,589)</u>	<u>953,741</u>
Total support and revenues without donor restrictions	<u>2,712,972</u>	<u>6,000,431</u>
Expenses:		
Program services	2,768,456	2,809,667
Management and general	430,237	309,262
Fundraising	<u>103,198</u>	<u>171,234</u>
Total functional expenses	<u>3,301,891</u>	<u>3,290,163</u>
Unallocated payments to national YWCA	<u>19,066</u>	<u>19,409</u>
Total expenses	<u>3,320,957</u>	<u>3,309,572</u>
Change in net assets without donor restrictions	<u>(607,985)</u>	<u>2,690,859</u>
Support and revenues with donor restrictions:		
Government grants	2,091,667	2,282,627
Foundation grants	234,136	81,246
Net assets released from restrictions	<u>(2,270,372)</u>	<u>(2,452,036)</u>
Support and revenues with donor restrictions	<u>55,431</u>	<u>(88,163)</u>
Total change in net assets	<u>(552,554)</u>	<u>2,602,696</u>
Net assets, beginning of year	<u>5,074,753</u>	<u>2,472,057</u>
Net assets, end of year	<u><u>\$ 4,522,199</u></u>	<u><u>\$ 5,074,753</u></u>

Young Women's Christian Association of South Hampton Roads
Statement of Functional Expenses
Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 1,600,942	\$ 316,475	\$ 42,798	\$ 1,960,215
Specific assistance and award	512,802	-	1,000	513,802
Occupancy	272,297	643	-	272,940
Payroll taxes	131,563	25,553	4,586	161,702
Computer and copier	51,136	6,329	441	57,906
Professional fees	20,014	31,776	-	51,790
Depreciation	40,471	-	-	40,471
United Way fundraising allocation	-	-	40,381	40,381
Telecom and internet	26,954	2,605	1,249	30,808
Supplies	23,340	3,707	118	27,165
Contract labor	18,943	2,658	3,995	25,596
Insurance	12,466	11,299	-	23,765
Conferences and meetings	16,558	5,581	300	22,439
Bad debt expense	-	18,000	-	18,000
Membership and licensing fees	15,295	1,717	325	17,337
Vehicle and transportation	15,129	51	-	15,180
Printing and publications	9,777	1,968	933	12,678
Special events	-	-	5,372	5,372
Bank fees	644	1,425	930	2,999
Postage	125	450	177	752
Advertising	-	-	593	593
	<u>\$ 2,768,456</u>	<u>\$ 430,237</u>	<u>\$ 103,198</u>	<u>3,301,891</u>
Total functional expenses				
Unallocated payments to national YWCA				<u>19,066</u>
Total expenses				<u>\$ 3,320,957</u>

See accompanying notes.

Young Women's Christian Association of South Hampton Roads
Statement of Functional Expenses
Year Ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 1,704,670	\$ 239,945	\$ 113,494	\$ 2,058,109
Specific assistance and award	437,323	-	1,000	438,323
Occupancy	276,834	853	-	277,687
Payroll taxes	135,010	16,070	9,145	160,225
Computer and copier	68,132	249	2,134	70,515
Professional fees	18,260	25,686	-	43,946
Depreciation	38,443	-	-	38,443
United Way fundraising allocation	-	-	30,307	30,307
Contract labor	21,191	2,504	6,504	30,199
Telecom and internet	26,599	1,426	1,491	29,516
Insurance	12,196	10,039	-	22,235
Membership and licensing fees	19,968	1,651	425	22,044
Printing and publications	13,581	3,125	2,816	19,522
Supplies	14,676	3,496	183	18,355
Vehicle and transportation	13,905	5	31	13,941
Conferences and meetings	8,311	1,690	245	10,246
Bank fees	441	1,746	1,432	3,619
Special events	-	-	1,967	1,967
Postage	127	538	60	725
Interest	-	239	-	239
	<u>\$ 2,809,667</u>	<u>\$ 309,262</u>	<u>\$ 171,234</u>	<u>3,290,163</u>
Total functional expenses				
Unallocated payments to national YWCA				<u>19,409</u>
Total expenses				<u>\$ 3,309,572</u>

See accompanying notes.

Young Women's Christian Association of South Hampton Roads
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (552,554)	\$ 2,602,696
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Discount on long-term promise to give	5,254	5,254
Depreciation	40,471	38,443
Unrealized (gain) loss on investment	263,364	(139,783)
Realized gain on investment	(74,071)	(69,384)
Loss (gain) on disposal of assets	452	(338,520)
Gain on extinguishment of PPP note payable	-	(376,877)
Change in:		
Accounts and grants receivable	40,255	(175,351)
Promises to give	53,553	89,450
Other current assets	8,282	(8,846)
Accounts payable and accrued expenses	(27,762)	24,796
Accrued payroll and taxes	(2,635)	40,196
Other current liabilities	385	(22,702)
Net cash (used) provided by operating activities	<u>(245,006)</u>	<u>1,669,372</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(75,356)
Proceeds from sale of property and equipment	-	506,335
Purchases of investments	(253,224)	(153,832)
Proceeds from sale of investments	227,710	131,505
Net cash (used) provided by investing activities	<u>(25,514)</u>	<u>408,652</u>
Cash flows from financing activities:		
Payment on PPP note payable	-	(723)
Net cash used by financing activities	<u>-</u>	<u>(723)</u>
Net (decrease) increase in cash and cash equivalents	(270,520)	2,077,301
Cash and cash equivalents, beginning of year	<u>2,679,671</u>	<u>602,370</u>
Cash and cash equivalents, end of year	<u>\$ 2,409,151</u>	<u>\$ 2,679,671</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ -</u>	<u>\$ 239</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

The YWCA is the oldest and largest multicultural women's organization in the world and is the preeminent provider of services for victims of domestic and sexual violence in the country. As an affiliate of the YWCA U.S.A., the Young Women's Christian Association of South Hampton Roads ("Organization") works locally to implement the mission of the YWCA: Eliminating Racism and Empowering Women. Since 1911, the Organization has served as a source of strength for over a quarter million women and children in the Hampton Roads community.

The Organization serves approximately 11,000 individuals each year and is a source of strength, courage, and empowerment for women and families facing crisis. YWCA South Hampton Roads works across racial, gender, religious and social lines with organizations and partners in all sectors to educate about disparities and inequities, advocate for change and provide resources and tools to dismantle oppressive systems. The Organization's areas of focus include Domestic Violence/Sexual Assault Support Services, Emergency Shelter and Housing, Counseling, Norfolk Family Justice Center and Racial/Social Justice Advocacy. During the year ended June 30, 2021 the Organization also provided an Out-of-School Time program in Norfolk Public Schools. The program was discontinued at the beginning of fiscal year 2022.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The classes of net assets are described as follows:

Net assets without donor restrictions result from receiving unrestricted contributions, rental income, interest income, and income from in-kind donations and services. Net assets without donor restrictions are available for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions result from contributions and other inflows of assets whose use is limited by stipulations imposed by donors and grantors. Such restrictions either expire by the passage of time or are met by actions of the Organization pursuant to those stipulations.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers cash on hand and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

The Organization invests in marketable securities and records certain equity securities and all debt securities at fair value using quoted market prices. Unrealized gains and losses are included in the statements of activities.

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

Revenue recognition

Contributions, grants, United Way funds and promises to give

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Grants, United Way funds and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give are recorded as they are received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. A promise to give is deemed past due if payments are not received in accordance with the payment terms specified by the donor at the time the promise was made.

Special events

Special events revenue includes revenue from contributions including sponsorships and gifts, as well as revenue from exchange transactions including tables and tickets to the event. The conference on R.E.S.T. was a signature event in fiscal year 2022 and 2021 and was a training ground for those interested in learning more and leaning into the effects of injustices and inequities. Through information-collaboration-activation, participants learned and built best practices with a long-term goal of building a blueprint for the transformational change needed to build an antiracist Hampton Roads. There were \$4,002 and \$0 in exchange transactions related to special events in 2022 and 2021, respectively. Exchange transactions are recognized at a point in time when the event is concluded.

Program fees

In fiscal year 2021 the Organization had program fee revenue from its Out-of-School Time (“OST”) Services program. A contract is created when a child is accepted into the program. An exchange transaction exists when the child is accepted into the program as the Organization consents to provide childcare services and the parent consents to provide the Organization tuition. Revenue is recognized over time, as the Organization fulfills the obligation to provide the out-of-school services. This program was discontinued at the beginning of fiscal year 2022.

The Organization also receives program fees for counseling services which is recognized at a point in time when the service is provided.

Disaggregation of revenue from contracts with customers

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied over time (OST services)	\$ -	\$ 63,772
Performance obligations satisfied at a point in time (counseling and special events)	\$ 75,956	\$ 55,509

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

Contract liabilities

Contract liabilities represent receipts of special event registration fees for which revenue recognition is being deferred until the event is held and other miscellaneous deferred charges not related to special events. There were contract liabilities related to special events and other revenue of \$3,518 and \$3,133 at June 30, 2022 and 2021, respectively.

Accounts receivable

The Organization records accounts receivable when services are provided.

Allowance for doubtful accounts

The Organization establishes an allowance for uncollectible receivables and promises to give based on prior experience and management’s analysis of specific receivable balances. Management believes that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been deemed necessary.

Concentrations of credit risk

Financial instruments which potentially expose the Organization to concentrations of credit risk consist primarily of temporary cash investments.

The Organization places their temporary cash investments with high credit quality financial institutions, although at times some amounts may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of June 30, 2022, the Organization had demand deposits in financial institutions which exceed depositor’s insurance provided by the applicable guaranty agency.

Property and equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are recorded at cost. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments are capitalized. The gain or loss on items otherwise disposed of is reflected in income.

Depreciation is being provided on a straight-line basis over estimated useful lives which range as follows.

<u>Asset</u>	<u>Life</u>
Building improvements	5 - 39 years
Buildings	20 - 39 years
Furniture and fixtures	3 - 10 years
Vehicles	5 years

In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), 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 assets or the asset group level for which the lowest level of independent cash flows can be identified. At June 30, 2022 and 2021, there were no long-lived assets that were deemed to be impaired.

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense was \$593 and \$0 for 2022 and 2021, respectively.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standard adopted in 2022 – Contributed Nonfinancial Assets

During 2022, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Organization’s policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

2. Liquidity and Availability

Financial assets available for general expenditure within one year of the financial position date, consist of the following:

	<u>2022</u>	<u>2021</u>
Unrestricted cash and cash equivalents	\$ 2,096,591	\$ 2,481,356
Investments	1,059,628	1,223,407
Accounts and grants receivable	345,375	385,630
Promises to give, current	5,365	20,042
Assets limited to use:		
Board designated	68,113	68,106
Donor restricted	<u>244,447</u>	<u>130,209</u>
	<u>\$ 3,819,520</u>	<u>\$ 4,308,750</u>

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

The Organization has certain donor restricted and board designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. As part of the Organization’s liquidity management plan, cash in excess of daily requirements is invested in money market funds. The Organization may draw on these money market funds, if necessary, to meet unexpected liquidity needs.

3. Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Within one year	\$ 5,365	\$ 20,042
In one to five years	<u>140,000</u>	<u>190,000</u>
	<u>145,365</u>	210,042
Less, discount to net present value at a rate of 3.25%	<u>(8,630)</u>	<u>(14,500)</u>
	<u>\$ 136,735</u>	<u>\$ 195,542</u>

Conditional promises to give were \$61,538 and \$15,000 at June 30, 2022 and 2021, respectively. These promises are conditioned on the hiring of a qualified children’s counselor and raising matching gifts from individual donors, respectively. Conditional promises to give are not included in promises to give in the statements of financial position, and no revenue has been recognized for conditional promises to give.

4. Investments

At June 30, 2022, investments consisted of the following:

	<u>Cost</u>	<u>Fair Market Values</u>	<u>Unrealized Losses</u>
Money market fund	\$ 46,640	\$ 46,640	\$ -
Bond funds	368,074	328,016	(40,058)
Equity mutual funds	<u>701,076</u>	<u>684,972</u>	<u>(16,104)</u>
	<u>\$ 1,115,790</u>	<u>\$ 1,059,628</u>	<u>\$ (56,162)</u>

At June 30, 2021, investments consisted of the following:

	<u>Cost</u>	<u>Fair Market Values</u>	<u>Unrealized Gains</u>
Money market fund	\$ 35,601	\$ 35,601	\$ -
Bond funds	363,280	370,145	6,865
Equity mutual funds	<u>616,960</u>	<u>817,661</u>	<u>200,701</u>
	<u>\$ 1,015,841</u>	<u>\$ 1,223,407</u>	<u>\$ 207,566</u>

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

Changes in investment funds for the year were as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,223,407	\$ 991,913
Purchases	253,224	153,832
Proceeds from sale	(227,710)	(131,505)
Realized gain	74,071	69,384
Unrealized (loss) gain	<u>(263,364)</u>	<u>139,783</u>
Balance, end of year	<u>\$ 1,059,628</u>	<u>\$ 1,223,407</u>

5. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building improvements	\$ 298,838	\$ 298,838
Buildings	320,000	320,000
Land	90,000	90,000
Furniture and fixtures	112,301	137,274
Vehicles	<u>40,096</u>	<u>40,096</u>
	<u>861,235</u>	<u>886,208</u>
Less, accumulated depreciation	<u>(117,719)</u>	<u>(101,769)</u>
	<u>\$ 743,516</u>	<u>\$ 784,439</u>

Depreciation expense was \$40,471 and \$38,443 for 2022 and 2021, respectively.

6. Line of Credit

In June 2021, the Organization entered into a \$500,000 line of credit with a bank. Interest is stated at .50 percentage points below the Wall Street Journal Prime Rate (4.25% and 2.75% at June 30, 2022 and 2021, respectively) and the line of credit is renewed annually. The line of credit is collateralized by all receivables and equipment. There was no amount outstanding on this line of credit at June 30, 2022 and 2021.

In June 2019, the Organization entered into a \$410,000 line of credit with a bank for the restricted purpose of shelter upgrades and improvements. Interest was stated at one month LIBOR plus 2.5% (2.66% at June 30, 2021). There was no amount outstanding on this line of credit at June 30, 2022 and 2021. The line of credit was closed July 16, 2021.

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

7. Net Assets

Net assets at June 30 consist of the following:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
General purposes	\$ 4,072,904	\$ 4,680,896
Board designated, shelter	68,113	68,106
	<u>\$ 4,141,017</u>	<u>\$ 4,749,002</u>
With donor restrictions:		
Promise to give	\$ 136,735	\$ 195,542
Counseling program	107,051	-
Victim assistance fund	83,161	77,571
Emergency housing and shelter program	20,235	10,638
AMEND program	12,000	12,000
Client financial literacy	12,000	-
Family Justice Center fund	10,000	10,000
Racial justice	-	10,000
Overhead expense assistance	-	10,000
	<u>\$ 381,182</u>	<u>\$ 325,751</u>

8. Grant Revenue

Grant revenue is summarized as follows:

	<u>2022</u>	<u>2021</u>
Virginia Department of Criminal Justice	\$ 1,064,488	\$ 1,651,514
Virginia Department of Social Services	185,066	175,397
Other government organizations	764,138	312,488
City of Norfolk	77,975	143,228
	<u>2,091,667</u>	<u>2,282,627</u>
Other private foundations	234,136	81,246
	<u>\$ 2,325,803</u>	<u>\$ 2,363,873</u>

Grant revenue was 84% and 40% of total revenue in 2022 and 2021, respectively.

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

9. Contributed Nonfinancial Services

For the periods ended June 30, 2022 and 2021, contributed nonfinancial assets and services recognized within revenue in the statements of activities included:

	<u>2022</u>	<u>2021</u>
Fundraising services	\$ 40,381	\$ 30,307
Shelter program supplies	27,575	564
Cab rides	2,400	2,400
REST program speaker fee	500	-
YWCA Black History video	-	550
	<u>\$ 70,856</u>	<u>\$ 33,821</u>

Contributed services were utilized in the following programs:

<u>Contributed Items</u>	<u>Programs</u>
Fundraising services	Victim services
Shelter program supplies	Victim services
Cab rides	Victim services
REST program speaker fee	Racial and social justice
YWCA Black History video	Racial and social justice

The following basis was used for valuing contributed services:

<u>Contributed Items</u>	<u>Valuation Basis</u>
Fundraising services	Allocation of cost provided by United Way and compared to estimated cost to acquire similar services in the United States
Shelter program supplies	Value estimated based on estimated costs to acquire similar products in the United States
Cab rides	Discount on invoice as designated by the vendor and compared to estimated cost to acquire similar services in the United States
REST program speaker fee	Discount on invoice as designated by the vendor and compared to estimated cost to acquire similar services in the United States
YWCA Black History video	Discount on invoice as designated by the vendor and compared to estimated cost to acquire similar services in the United States

**Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements**

Contributions of services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization’s program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

10. Lease Commitments

The Organization has non-cancelable equipment leases expiring at various dates through February 2026. Rental expense for equipment leases was \$6,487 for both 2022 and 2021.

The Organization’s office lease was terminated in November 2022. Lease payments were \$21,991 per month as of June 30, 2022. The 2022 and 2021 lease payments are partially offset with funding from the City of Norfolk. Rental expense for 2022 and 2021 was \$214,631 and \$208,229, respectively. The Organization entered into a new office lease to begin in December 2022 starting at \$1,875 per month with an escalation clause and two months of free rent. The lease continues through October 2027.

Future minimum rental payments for these leases are as follows:

<u>Year Ending June 30,</u>	
2023	\$ 125,819
2024	29,435
2025	27,961
2026	24,345
Thereafter	<u>33,520</u>
	<u>\$ 241,080</u>

11. United Way Fundraising Costs

The Organization, as part of a requirement of receiving support from the United Way, shares in the costs to acquire the funds in proportion to the amount of support received from the United Way. The allocated fundraising costs for 2022 and 2021 was \$40,381 and \$30,307, respectively. This has been recorded as contributed non-financial services and United Way fundraising allocation in the statements of activities.

12. Retirement Plan

The Organization participates in a cash balance defined benefit pension plan which is available to all eligible employees. Employees are enrolled after they complete two years of service with at least 1,000 hours per year. Participants can contribute up to 10% of their annual compensation. Annually, the Organization elects to contribute 3%, 5%, 7.5% or 10% of the employee’s gross annual compensation determined by the Board of Directors each year. The YWCA Retirement Fund matches the Organization’s contribution at 40%. For 2022 and 2021, the Organization elected to contribute 3% of each eligible employees’ gross wages. The YWCA Retirement Fund contributed 1.2% of gross wages for each eligible employee in 2022 and 2021. The Organization contributed \$23,372 and \$25,930 for 2022 and 2021, respectively. This amount is included in salaries, wages and benefits on the statements of functional expenses.

13. Payments to Affiliated Organizations

In accordance with the affiliation agreement with its national association ("YWCA USA"), the Organization remits monthly support fees to the national association. These support fees are calculated based upon the prior year Form 990 and audited financial statements. Dues to the national association expensed for the year 2022 and 2021 were \$19,066 and \$19,409, respectively.

14. Fair Value Measurements

FASB Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FASB ASC 820 classifies the inputs used to measure fair value in the following hierarchy:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2:** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs used in the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

When quoted prices are available in active markets for identical instruments, investment securities are classified within Level 1 of the fair value hierarchy. Level 1 investments include mutual funds.

Young Women’s Christian Association of South Hampton Roads
Notes to Financial Statements

Investments included in the statements of financial position at June 30, 2022, are measured at the reporting date using Level 1 inputs as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market	\$ 46,640	\$ -	\$ -	\$ 46,640
Bond funds:				
Corporate	106,256	-	-	106,256
Domestic	221,761	-	-	221,761
Equity mutual funds:				
Commodities	22,568	-	-	22,568
Emerging markets	124,098	-	-	124,098
International	80,688	-	-	80,688
Large cap blend	221,686	-	-	221,686
Large cap growth	111,609	-	-	111,609
Mid cap blend	42,768	-	-	42,768
Mid cap value	22,170	-	-	22,170
Small cap blend	59,384	-	-	59,384
	<u>\$ 1,059,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,628</u>

Investments included in the statements of financial position at June 30, 2021, are measured at the reporting date using Level 1 inputs as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market	\$ 35,601	\$ -	\$ -	\$ 35,601
Bond funds:				
Corporate	126,517	-	-	126,517
Domestic	243,628	-	-	243,628
Equity mutual funds:				
Emerging markets	156,885	-	-	156,885
International	110,839	-	-	110,839
Large cap blend	248,369	-	-	248,369
Large cap growth	133,957	-	-	133,957
Mid cap blend	49,926	-	-	49,926
Mid cap value	26,336	-	-	26,336
Small cap blend	52,065	-	-	52,065
Small cap growth	39,284	-	-	39,284
	<u>\$ 1,223,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,223,407</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future 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.

15. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 6, 2023, the date the financial statements were available to be issued.

Supplementary Information

Young Women's Christian Association of South Hampton Roads
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures To Subrecipients</u>
U.S. Department of Justice Services				
<u>Virginia Department of Criminal Justice Services</u>				
Sexual Assault/Domestic Violence Grant Program	16.575	22-C3478VP20	\$ 602,453	\$ -
Sexual Assault Services Program	16.017	21-K2215SP20	11,326	-
Sexual Assault Services Program	16.017	22-L2215SP21	10,701	-
Total Sexual Assault Services Program			<u>22,027</u>	<u>-</u>
Violence Against Women's Act - VAWA Victims Services	16.588	21-X9860VA20	26,666	-
Violence Against Women's Act - VAWA Victims Services	16.588	22-Y9860VA21	22,267	-
Total Violence Against Women Formula Grant			<u>48,933</u>	<u>-</u>
Sexual and Domestic Violence Victim Fund	16.738	1028	46,379	-
COVID-19 Coronavirus Emergency Supplemental funding	16.034	20-A5234CE20	19,080	-
COVID-19 Coronavirus Emergency Supplemental funding	16.034	9509	10,018	-
Total COVID-19 Coronavirus Emergency Supplemental funding			<u>29,098</u>	<u>-</u>
Office on Violence Against Women (OVW) Rural Program	16.589	2020-WR-AX-005	34,295	-
Total U.S. Department of Justice Services			<u>783,185</u>	<u>-</u>
U.S. Department of Treasury				
<u>Virginia Department of Criminal Justice Services</u>				
American Rescue Plan Act - Victims Services Grant Program	21.027	22-A3478ARRF	237,600	-
Total U.S. Department of Treasury			<u>237,600</u>	<u>-</u>
U.S. Department of Homeland Security				
<u>United Way of South Hampton Roads</u>				
Emergency Food and Shelter National Board Program	97.024	882400-0010	7,883	-
Total U.S. Department of Homeland Security			<u>7,883</u>	<u>-</u>

Young Women's Christian Association of South Hampton Roads
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2022

(Continued)

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Expenditures To Subrecipients</u>
U. S. Department of Housing and Urban Development				
<u>Virginia Department of Housing and Community Development</u>				
COVID-19 Homelessness Emergency Response	14.231	20 CHERP-120	421,321	-
COVID-19 Homelessness Emergency Response	14.231	20 CHERP-120	61,315	-
COVID-19 Homelessness Emergency Response	14.231	20-CHERP-HMIS-120	9,670	-
Virginia Homeless Solutions Program (Rapid Re-Housing)	14.231	22-VHSP-120	56,526	-
Total Virginia Department of Housing and Community Development grants			548,832	-
<u>City of Norfolk Department of Human Services</u>				
Emergency Solutions Grant	14.231	2275 32 8007 9645 FY22	47,563	-
Total U.S. Department of Housing and Urban Development			596,395	-
U.S. Department of Health and Human Services				
<u>Virginia Department of Social Services</u>				
Family Violence Prevention and Services Act	93.671	CVS-19-057-A-51	40,000	-
COVID-19 CARES ACT Family Violence Prevention and Services Act	93.671	CVS-19-057-A-51	15,066	-
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			55,066	-
<u>Temporary Assistance for Needy Families Cluster (TANF)</u>				
<u>Virginia Department of Social Services</u>				
Domestic Violence Prevention and Services	93.558	CVS-19-056	92,300	-
Total TANF Cluster			92,300	-
Total U.S. Department of Health and Human Service			147,366	-
			\$ 1,772,429	\$ -

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Young Women's Christian Association of South Hampton Roads ("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* ("CRF") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented or used in the preparation of the basic financial statements. 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.

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

Note 3 - Contingency

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

1. Summary of Auditor's Results

- A. The auditor's report expresses an unmodified opinion on the financial statements of the Organization.
- B. There were no material weaknesses or significant deficiencies in internal control over financial reporting reported.
- C. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed in the audit.
- D. There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed by the audit.
- E. The auditor's report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.
- F. The audit disclosed no compliance findings required to be reported.
- G. The program tested as major was:
The Crime Victim Assistance grant (Assistance Listing Numbers 16.575)
- H. The threshold used to distinguish between Type A and Type B programs was \$750,000.
- I. The Organization qualifies as a low-risk auditee.

2. Findings - Financial Statement Audit

No findings noted

3. Findings and Questioned Costs - Major Federal Award Programs Audit

No findings noted.

4. Status of Prior Year Findings

No findings in prior year.

Compliance Reports

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Young Women’s Christian Association of South Hampton Roads
Norfolk, VA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Women’s Christian Association of South Hampton Roads, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Young Women’s Christian Association of South Hampton Roads’ internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Young Women’s Christian Association of South Hampton Roads’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Young Women’s Christian Association of South Hampton Roads’ 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Young Women's Christian Association of South Hampton Roads' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

FORVIS, LLP

**Norfolk, VA
February 6, 2023**

Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Young Women's Christian Association of South Hampton Roads
Norfolk, VA

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' major federal program for the year ended June 30, 2022. Young Women's Christian Association of South Hampton Roads' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Young Women's Christian Association of South Hampton Roads complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the 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 Young Women's Christian Association of South Hampton Roads 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 Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' compliance with the requirements of the 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 Young Women's Christian Association of South Hampton Roads' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances
- Obtain an understanding of Young Women's Christian Association of South Hampton Roads' 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 Young Women's Christian Association of South Hampton Roads' 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.

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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.

FORVIS, LLP

**Norfolk, VA
February 6, 2023**