

**UNITED WAY OF GREATER  
CHATTANOOGA**

**Chattanooga, Tennessee**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2016 and 2015**

**JOHNSON, HICKEY & MURCHISON, P.C.**  
Certified Public Accountants  
Chattanooga, Tennessee

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
United Way of Greater Chattanooga**

We have audited the accompanying financial statements of United Way of Greater Chattanooga, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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	Chattanooga, Tennessee			423 267 5945 f	

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Chattanooga as of December 31, 2016 and 2015, changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Johnson, Wiley & Meacham, P.C.*

June 22, 2017  
Chattanooga, Tennessee

**UNITED WAY OF GREATER CHATTANOOGA**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 876,614	\$ 973,626
Accounts and grants receivable	37,372	37,833
Bequest receivable	300,000	-
Prepaid expenses	67,490	104,571
Contributions receivable	6,968,978	6,414,478
Cash surrender value of life insurance	159,322	146,719
Land, building, and equipment	2,562,562	2,658,889
Fund functioning as endowment	19,138,118	20,058,331
	\$ 30,110,456	\$ 30,394,447
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Line of credit	\$ 250,000	\$ -
Accounts payable	85,553	106,039
Allocations payable	4,371,754	4,516,801
Direct designations	1,131,826	1,258,496
Designations to other United Ways	73,871	84,489
Contingencies	151,753	86,953
Accrued employee benefits	767,126	765,187
Funds held for services	25,317	12,822
	6,857,200	6,830,787
<b>NET ASSETS</b>		
Unrestricted net assets	14,240,360	14,923,526
Temporarily restricted net assets	7,339,040	6,966,483
Permanently restricted net assets	1,673,856	1,673,651
	23,253,256	23,563,660
	\$ 30,110,456	\$ 30,394,447

(The accompanying notes are an integral part of these statements.)

**UNITED WAY OF GREATER CHATTANOOGA**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>RESOURCES GENERATED</b>			
Total resources	\$ -	\$ 11,079,020	\$ -
Donor-designated contributions	-	(1,459,240)	-
Grants awarded	-	-	-
Provision for uncollectible contributions	-	(590,125)	-
Life insurance proceeds	-	-	-
Generated income	-	(649,935)	-
Investment return designated for next period's operation	-	(1,200,000)	-
	<hr/>	<hr/>	<hr/>
Net resources	-	7,179,720	-
Investment return designated for current operations	1,200,000	-	-
Investment return in excess (deficient) of amounts designated for current operations	(1,036,628)	-	-
Other interest income	195	-	-
Combined Federal Campaign administrative fee	218,809	-	-
Endowment contributions - lasting impact	-	-	205
Contributions - diamond donor fund	-	-	-
Other income	264,428	12,599	-
Bequest contributions	670,167	-	-
Net assets released from restrictions:			
Prior-year campaign contributions	6,819,762	(6,819,762)	-
Cash surrender value of policy redeemed	-	-	-
Provision for uncollectible contributions	10,581	-	-
	<hr/>	<hr/>	<hr/>
Total resources generated	8,147,314	372,557	205
<b>ALLOCATION AND EXPENSES</b>			
Allocations to member agencies	5,835,618	-	-
Less amounts designated by donors to specific organizations	(1,459,240)	-	-
Reserve for contingencies	48,756	-	-
United Way of America dues	116,500	-	-
	<hr/>	<hr/>	<hr/>
	4,541,634	-	-
Program services			
Center For Non-Profits	295,191	-	-
Invest in Children	882,343	-	-
Building stable lives	799,593	-	-
Other direct services	733,120	-	-
Supporting services			
Fund raising	758,402	-	-
Management and general	820,197	-	-
	<hr/>	<hr/>	<hr/>
	4,288,846	-	-
	<hr/>	<hr/>	<hr/>
Total allocation and expenses	8,830,480	-	-
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	\$ (683,166)	\$ 372,557	\$ 205

(The accompanying notes are an integral part of these statements.)

2015

Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 11,079,020	\$ -	\$ 12,960,833	\$ -	\$ 12,960,833
(1,459,240)	-	(1,448,066)	-	(1,448,066)
-	-	(1,752,441)	-	(1,752,441)
(590,125)	-	(629,488)	-	(629,488)
-	-	(362,177)	-	(362,177)
(649,935)	-	(698,899)	-	(698,899)
<u>(1,200,000)</u>	<u>-</u>	<u>(1,250,000)</u>	<u>-</u>	<u>(1,250,000)</u>
7,179,720	-	6,819,762	-	6,819,762
1,200,000	1,250,000	-	-	1,250,000
(1,036,628)	(1,263,483)	-	-	(1,263,483)
195	156	-	-	156
218,809	217,154	-	-	217,154
205	-	-	270	270
-	-	12,103	-	12,103
277,027	424,007	-	-	424,007
670,167	-	-	-	-
-	7,085,832	(7,085,832)	-	-
-	425,569	(425,569)	-	-
<u>10,581</u>	<u>(94,376)</u>	<u>-</u>	<u>-</u>	<u>(94,376)</u>
<u>8,520,076</u>	<u>8,044,859</u>	<u>(679,536)</u>	<u>270</u>	<u>7,365,593</u>
5,835,618	5,969,867	-	-	5,969,867
(1,459,240)	(1,448,066)	-	-	(1,448,066)
48,756	30,051	-	-	30,051
<u>116,500</u>	<u>106,500</u>	<u>-</u>	<u>-</u>	<u>106,500</u>
<u>4,541,634</u>	<u>4,658,352</u>	<u>-</u>	<u>-</u>	<u>4,658,352</u>
295,191	277,119	-	-	277,119
882,343	1,059,625	-	-	1,059,625
799,593	719,199	-	-	719,199
733,120	787,057	-	-	787,057
758,402	634,726	-	-	634,726
<u>820,197</u>	<u>898,971</u>	<u>-</u>	<u>-</u>	<u>898,971</u>
<u>4,288,846</u>	<u>4,376,697</u>	<u>-</u>	<u>-</u>	<u>4,376,697</u>
<u>8,830,480</u>	<u>9,035,049</u>	<u>-</u>	<u>-</u>	<u>9,035,049</u>
<u>\$ (310,404)</u>	<u>\$ (990,190)</u>	<u>\$ (679,536)</u>	<u>\$ 270</u>	<u>\$ (1,669,456)</u>

(The accompanying notes are an integral part of these statements.)

**UNITED WAY OF GREATER CHATTANOOGA  
STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2014	\$ 15,913,716	\$ 7,646,019	\$ 1,673,381	\$ 25,233,116
Increase (decrease) in net assets	<u>(990,190)</u>	<u>(679,536)</u>	<u>270</u>	<u>(1,669,456)</u>
December 31, 2015	14,923,526	6,966,483	1,673,651	23,563,660
Increase (decrease) in net assets	<u>(683,166)</u>	<u>372,557</u>	<u>205</u>	<u>(310,404)</u>
December 31, 2016	<u>\$ 14,240,360</u>	<u>\$ 7,339,040</u>	<u>\$ 1,673,856</u>	<u>\$ 23,253,256</u>

(The accompanying notes are an integral part of these statements.)



**UNITED WAY OF GREATER CHATTANOOGA**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (310,404)	\$ (1,669,456)
Adjustments to reconcile decrease in net assets to net cash used by operating activities		
Depreciation	107,460	105,191
Provision for uncollectible contributions	(63,131)	36,198
Net investment (gains) and losses	28,884	257,310
Net (increase) decrease in operating assets		
Accounts and grants receivable	461	16,284
Bequest receivable	(300,000)	-
Prepaid expenses	37,081	110,145
Contributions receivable	(491,369)	340,106
Net increase (decrease) in operating liabilities		
Accounts payable	(20,486)	(96,583)
Allocations payable	(145,047)	(148,393)
Direct designations	(126,670)	(20,883)
Designations to other United Ways	(10,618)	(40,947)
Contingencies	64,800	3,222
Accrued employee benefits	1,939	(7,048)
Funds held for services	12,495	(5,218)
	<u>(1,214,605)</u>	<u>(1,120,072)</u>
Net cash used by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for property and equipment	(11,133)	(58,550)
Purchase of investments	(2,810,274)	(1,732,057)
Proceeds from sale of investments	3,701,603	2,488,228
Proceeds from life insurance policy	-	166,608
Change in cash surrender value of life insurance	(12,603)	246,859
	<u>867,593</u>	<u>1,111,088</u>
Net cash provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in line of credit	250,000	(250,000)
	<u>250,000</u>	<u>(250,000)</u>
Net cash provided (used) by financing activities		
<b>NET DECREASE IN CASH</b>	<u>\$ (97,012)</u>	<u>\$ (258,984)</u>

(The accompanying notes are an integral part of these statements.)

	<u>2016</u>	<u>2015</u>
<b>NET DECREASE IN CASH</b>	\$ (97,012)	\$ (258,984)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>973,626</u>	<u>1,232,610</u>
Ending	<u>\$ 876,614</u>	<u>\$ 973,626</u>

(The accompanying notes are an integral part of these statements.)

**UNITED WAY OF GREATER CHATTANOOGA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Program Services</b>			
	<b>Center For Non-Profits</b>	<b>Invest In Children</b>	<b>Building Stable Lives</b>	<b>Other Direct Services</b>
<b>Direct costs</b>				
Salaries	\$ 139,020	\$ 232,967	\$ 407,499	\$ 374,879
Employee benefits	50,276	72,393	118,680	103,752
Payroll taxes	10,595	17,148	30,968	24,580
Retiree benefits	-	-	-	6,098
Contract labor	-	-	-	-
Professional fees	18,329	29,493	13,497	27,215
Supplies	26	182	-	4,537
Telephone	1,465	2,430	3,929	7,741
Postage	-	20,775	-	5,528
Occupancy	-	-	-	18,713
Building maintenance	-	-	-	15,373
Rental and maintenance of equipment	129	25,890	4,006	8,378
Printing and publications	9,031	26,412	29,921	39,862
Travel and automobile	181	943	2,634	3,044
Parking	1,851	3,703	5,770	6,189
Conferences	7,114	7,585	10,756	7,336
Meetings	611	514	4,475	16,171
Membership dues and subscriptions	1,085	145	550	6,578
Parent/child services	-	353,745	4,348	-
Graduation summit	-	-	-	-
Food Vouchers	-	-	24,340	-
Information technology	10,240	23,551	31,598	-
Miscellaneous	-	-	50	25,983
	<u>249,953</u>	<u>817,876</u>	<u>693,021</u>	<u>701,957</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,163</u>
	249,953	817,876	693,021	733,120
<b>Allocation of support services</b>	<u>45,238</u>	<u>64,467</u>	<u>106,572</u>	<u>-</u>
	<u>\$ 295,191</u>	<u>\$ 882,343</u>	<u>\$ 799,593</u>	<u>\$ 733,120</u>

(The accompanying notes are an integral part of these statements.)

Supporting Services

<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>	<u>2015 Total</u>
\$ 387,806	\$ 530,001	\$ 2,072,172	\$ 2,105,117
107,330	146,684	599,115	547,388
25,427	34,750	143,468	147,949
6,309	8,622	21,029	21,251
-	-	-	2,775
28,154	38,476	155,164	126,596
4,694	6,414	15,853	25,416
8,008	10,945	34,518	44,441
5,719	7,816	39,838	44,742
19,358	26,456	64,527	63,988
15,903	21,734	53,010	33,289
8,666	11,844	58,913	26,742
41,237	56,357	202,820	180,490
3,149	4,304	14,255	18,041
6,402	8,749	32,664	28,434
7,589	10,371	50,751	57,539
16,729	22,863	61,363	57,200
6,805	9,300	24,463	24,766
-	-	358,093	520,136
-	-	-	14,968
-	-	24,340	19,481
-	-	65,389	66,510
<u>26,879</u>	<u>36,728</u>	<u>89,640</u>	<u>94,246</u>
726,164	992,414	4,181,385	4,271,505
<u>32,238</u>	<u>44,060</u>	<u>107,461</u>	<u>105,192</u>
758,402	1,036,474	4,288,846	4,376,697
<u>-</u>	<u>(216,277)</u>	<u>-</u>	<u>-</u>
<u>\$ 758,402</u>	<u>\$ 820,197</u>	<u>\$ 4,288,846</u>	<u>\$ 4,376,697</u>

(The accompanying notes are an integral part of these statements.)

**UNITED WAY OF GREATER CHATTANOOGA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Program Services</b>			
	<b>Center For Non-Profits</b>	<b>Invest In Children</b>	<b>Building Stable Lives</b>	<b>Other Direct Services</b>
<b>Direct costs</b>				
Salaries	\$ 136,151	\$ 269,830	\$ 362,797	\$ 414,265
Employee benefits	36,025	70,730	106,022	103,729
Payroll taxes	10,381	20,539	27,618	27,717
Retiree benefits	-	-	-	6,588
Contract labor	-	2,775	-	-
Professional fees	10,580	3,277	13,260	30,838
Supplies	235	-	45	7,792
Telephone	1,261	3,095	4,010	11,183
Postage	1,700	21,355	852	6,459
Occupancy	-	-	-	19,836
Building maintenance	-	-	-	10,320
Rental and maintenance of equipment	-	-	474	8,143
Printing and publications	8,372	23,179	32,739	36,022
Travel and automobile	236	2,158	2,131	4,190
Parking	1,675	4,523	5,768	5,105
Conferences	12,235	4,370	8,606	10,022
Meetings	691	752	3,780	16,113
Membership dues and subscriptions	934	-	825	7,132
Parent/child services	-	518,051	2,085	-
Gradnation summit	-	14,968	-	-
Food Vouchers	-	-	19,481	-
Information technology	10,234	25,000	31,276	-
Miscellaneous	378	-	345	28,994
	<u>231,088</u>	<u>984,602</u>	<u>622,114</u>	<u>754,448</u>
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,609</u>
	<u>231,088</u>	<u>984,602</u>	<u>622,114</u>	<u>787,057</u>
<b>Allocation of support services</b>	<u>46,031</u>	<u>75,023</u>	<u>97,085</u>	<u>-</u>
	<u>\$ 277,119</u>	<u>\$ 1,059,625</u>	<u>\$ 719,199</u>	<u>\$ 787,057</u>

(The accompanying notes are an integral part of these statements.)

Supporting Services

<u>Fund Raising</u>	<u>Management and General</u>	<u>Total</u>	<u>2014 Total</u>
\$ 334,085	\$ 587,989	\$ 2,105,117	\$ 1,983,626
83,653	147,229	547,388	659,850
22,353	39,341	147,949	136,813
5,313	9,350	21,251	22,400
-	-	2,775	9,125
24,870	43,771	126,596	134,962
6,284	11,060	25,416	20,957
9,019	15,873	44,441	41,383
5,209	9,167	44,742	50,545
15,997	28,155	63,988	61,238
8,322	14,647	33,289	35,332
6,567	11,558	26,742	40,574
29,050	51,128	180,490	199,080
3,379	5,947	18,041	16,202
4,117	7,246	28,434	28,938
8,082	14,224	57,539	47,909
12,994	22,870	57,200	46,437
5,752	10,123	24,766	22,191
-	-	520,136	350,762
-	-	14,968	-
-	-	19,481	-
-	-	66,510	66,230
<u>23,382</u>	<u>41,147</u>	<u>94,246</u>	<u>84,066</u>
608,428	1,070,825	4,271,505	4,058,620
<u>26,298</u>	<u>46,285</u>	<u>105,192</u>	<u>102,714</u>
634,726	1,117,110	4,376,697	4,161,334
<u>-</u>	<u>(218,139)</u>	<u>-</u>	<u>-</u>
<u>\$ 634,726</u>	<u>\$ 898,971</u>	<u>\$ 4,376,697</u>	<u>\$ 4,161,334</u>

(The accompanying notes are an integral part of these statements.)

**UNITED WAY OF GREATER CHATTANOOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

United Way of Greater Chattanooga, a non-profit organization, provides support and services to funded-partner agencies to provide measurable social change against the community goals related to: preparing children to enter school with the skills they need to learn and provide children the support they need during out of school time to graduate with the skills they need to obtain employment or obtain higher education; to assist families to become stable enough to no longer be dependent on social services; and to care for the most vulnerable in our communities.

The Organization also provides information and referral services, including needs assessment data through its 2-1-1 call center, community wide volunteer assistance and placement services through the volunteer center, and education and training to non-profits in the 5 county regions through the Center for Nonprofits.

The Organization also promotes economic independence to lower income families who are financially unstable through their program called Building Stable Lives. Additionally, the Organization promotes literacy throughout its service area through its Invest in Children Program.

**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 and disclosures. Actual results could differ from those estimates.

**Basis of presentation**

The financial statements of United Way of Greater Chattanooga have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. In accordance with current guidance, the Organization is reporting information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Contributions receivable**

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a donor restriction expires, that is when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. United Way of Greater Chattanooga considers the pledges received under the current year community-wide campaign, including any actual cash payments, to be temporarily restricted for payment to participating agencies in the following year.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on historical experience and management's analysis of specific promises made.

Because the majority of the contributors reside in and around Chattanooga, Tennessee, collection of these pledges is substantially dependent upon the economic stability of the Chattanooga area.

**UNITED WAY OF GREATER CHATTANOOGA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Expense allocation**

The costs of providing The Center for Non-Profits, the Invest in Children Program, Building Stable Lives 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 among The Center for Non-Profits, Invest in Children, Building Stable Lives and supporting services.

**Donated assets and services**

Assets received as donations are recorded and reflected in the accompanying financial statements at their estimated fair market values at the date received. The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

**Land, building, and equipment**

Land, building, and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective classes of assets. Additions and major renewals are capitalized while repairs, maintenance, and minor renewals are charged to operating expense as incurred.

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Organization considers cash and all highly-liquid debt instruments with an original maturity of three months or less to be cash equivalents, except for cash and investments held in the fund functioning as endowment.

**Fund functioning as endowment**

The fund functioning as endowment represents investments designated by the Board of Directors to function as an endowment and are, at the discretion of the Board of Directors, available for transfer to operations. The investments consist of corporate bonds and notes, U.S. Government and agency bonds, common stocks, and other alternative investments. The investments are stated at fair value. Determination of market values is more fully described in Note 4.

**Investments**

Investments are stated at fair value which is defined 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. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Investments in private investment entities are valued based on the Organization's proportional share of the net asset valuations reported by the underlying entities. Adjustments, if necessary, are made by the general partner if the net asset valuation is not calculated in a manner consistent with the measurement principles used to determine fair value as prescribed by generally accepted accounting principles. Investments in private investment entities are classified in Level 2 or 3 of the fair value hierarchy as specified in current accounting standards.



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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Tax status**

The Organization is a not-for-profit corporation and has obtained approval for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization has unrelated business income under Section 511 of the Internal Revenue Code. This income arises from investment activities.

**Uncertain tax position**

The Organization follows the requirements of professional literature in accounting for uncertain tax positions. Under this guidance, an Organization must recognize the tax effect associated with tax positions taken when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. As of December 31, 2016 and 2015, there were no interest or penalties recorded or included in the financial statements related to uncertain tax positions. Information returns for tax years 2013 and beyond remain subject to examination.

**(2) CONTRIBUTIONS RECEIVABLE**

Contributions receivable at December 31, 2016 and 2015, consist of the following:

	<b>2016</b>	<b>2015</b>
Contributions receivable in less than one year	\$ 8,317,383	\$ 7,826,014
Allowance for uncollectible pledges	(1,348,405)	(1,411,536)
Contributions receivable, net	\$ 6,968,978	\$ 6,414,478

All contributions are due in one year or less.

**(3) LAND, BUILDING, AND EQUIPMENT**

Land, building, and equipment at December 31, 2016 and 2015, consist of the following:

	<b>2016</b>	<b>2015</b>
Land	\$ 227,782	\$ 227,782
Building	2,799,347	2,799,347
Furniture, fixtures and equipment	810,741	799,608
	3,837,870	3,826,737
Less accumulated depreciation	1,275,308	1,167,848
	\$ 2,562,562	\$ 2,658,889

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**(4) FUND FUNCTIONING AS ENDOWMENT**

The fund functioning as endowment consists of investments that are held in agency accounts at Regions Bank, First Tennessee Bank, Pinnacle Bank, SunTrust Bank and several investment limited partnerships and money market accounts. The investments are carried at their fair market value.

A summary of investments held in these accounts at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Short term investments	\$ 837,092	\$ 1,023,154
Corporate bonds and notes	487,222	665,593
U.S. Government and agency bonds	-	180,143
Common stocks	2,040,799	6,835,043
Mutual funds	5,719,908	-
Alternative investments	<u>10,053,097</u>	<u>11,354,398</u>
	<u>\$ 19,138,118</u>	<u>\$ 20,058,331</u>

The net return on investments for the years ended December 31, 2016 and 2015, is summarized as follows:

	<u>2016</u>	<u>2015</u>
Net realized and unrealized gains (losses) on investments	\$ (28,884)	\$ (257,310)
Interest and dividends	218,506	278,827
Investment expenses and fees	<u>(26,250)</u>	<u>(35,000)</u>
Total net return on investments	163,372	(13,483)
Investment return designated for current operations	<u>(1,250,000)</u>	<u>(1,250,000)</u>
Investment return in excess (deficient) of amounts designated for current operations	<u>\$ (1,086,628)</u>	<u>\$ (1,263,483)</u>

The average annual yield, exclusive of net capital gains, was 1.11% and 1.36% for the years ending December 31, 2016 and 2015, respectively. The total annual return for the same periods was 0.83% and -0.10%. Yields are computed using market values.

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**(5) INVESTMENTS**

Assets held in the investment accounts as of December 31, 2016 and 2015, were composed of the following:

	<b>2016</b>			
	<b>Cost</b>	<b>Market Value</b>	<b>Redemption frequency</b>	<b>Notice period</b>
Common stocks	\$ 1,563,564	\$ 2,040,799	Daily	1 Day
Mutual funds	5,585,656	5,719,908	Daily	1 Day
1607 Bond Fund, L.P.	-	357,565	Mth	10 Days
Hedge funds				
Pointer investments	1,175,000	5,032,860	Yr	90 Days
Drake offshore	4,250,000	4,294,403	Qtrly	90 Days
TSWII offshore	277,834	277,987	Qtrly	60 Days
LMC Compass	92,333	90,282	Qtrly	60 Days
Corporate bonds and notes	494,347	487,222	Daily	1 Day
Short term investments	837,092	837,092	Daily	1 Day
	\$ 14,275,826	\$ 19,138,118		

	<b>2015</b>			
	<b>Cost</b>	<b>Market Value</b>	<b>Redemption frequency</b>	<b>Notice period</b>
Common stocks	\$ 1,361,751	\$ 1,895,033	Daily	1 Day
Mutual funds	5,871,727	5,622,611	Daily	1 Day
1607 Bond Fund, L.P.	-	330,290	Mth	10 Days
Hedge funds				
Pointer investments	2,425,000	6,529,975	Yr	90 Days
Drake offshore	4,250,000	4,494,133	Qtrly	90 Days
Government notes	182,134	180,143	Daily	1 Day
Corporate bonds and notes	684,865	665,593	Daily	1 Day
Short term investments	340,553	340,553	Daily	1 Day
	\$ 15,116,030	\$ 20,058,331		

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**(5) INVESTMENTS (continued)**

Summaries of investment return are as follows:

	2016	2015
Dividends and interest	\$ 218,506	\$ 278,827
Realized gains	567	70,713
Unrealized losses	(29,451)	(328,023)
	189,622	21,517
Less: Investment management fees	26,250	35,000
Net investment return	\$ 163,372	\$ (13,483)

**(6) ENDOWMENT**

The Organization's endowment consists of approximately 11 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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**(6) ENDOWMENT (continued)**

Endowment Net Assets Composition by type of fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 1,673,856	\$ 1,673,856
Board designated endowment funds	<u>17,464,262</u>	<u>-</u>	<u>-</u>	<u>17,464,262</u>
	<u>\$ 17,464,262</u>	<u>-</u>	<u>\$ 1,673,856</u>	<u>\$ 19,138,118</u>

Endowment Net Assets Composition by type of fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$ 1,673,651	\$ 1,673,651
Board designated endowment funds	<u>18,384,680</u>	<u>-</u>	<u>-</u>	<u>18,384,680</u>
	<u>\$ 18,384,680</u>	<u>-</u>	<u>\$ 1,673,651</u>	<u>\$ 20,058,331</u>

Changes in Endowment Net Assets for the fiscal year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, Beginning of year	\$ 18,384,680	\$ -	\$ 1,673,651	\$ 20,058,331
Investment return				
Investment income	192,266	-	-	192,266
Gains (losses)	<u>(28,884)</u>	<u>-</u>	<u>-</u>	<u>(28,884)</u>
Total investment return	163,382	-	-	163,382
Appropriation of endowment Assets for expenditure	(1,480,000)	-	-	(1,480,000)
Other changes				
Additions (subtractions) to endowment funds	<u>396,200</u>	<u>-</u>	<u>205</u>	<u>396,405</u>
	<u>\$ 17,464,262</u>	<u>-</u>	<u>\$ 1,673,856</u>	<u>\$ 19,138,118</u>

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**(6) ENDOWMENT (continued)**

Changes in Endowment Net Assets for the fiscal year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, Beginning of year	\$ 19,398,431	\$ -	\$ 1,673,381	\$21,071,812
Investment return				
Investment income	243,827	-	-	243,827
Gains (losses)	<u>(257,310)</u>	<u>-</u>	<u>-</u>	<u>(257,310)</u>
Total investment return	(13,483)	-	-	(13,483)
Appropriation of endowment Assets for expenditure	(1,335,000)	-	-	(1,335,000)
Other changes				
Additions (subtractions) to endowment funds	<u>334,732</u>	<u>-</u>	<u>270</u>	<u>335,002</u>
	<u>\$ 18,384,680</u>	<u>-</u>	<u>\$ 1,673,651</u>	<u>\$ 20,058,331</u>

**(7) EMPLOYEE BENEFIT PLANS**

Accrued employee benefits consist of the following:

	<u>2016</u>	<u>2015</u>
Post retirement benefits liability	\$ 725,861	\$ 725,861
Sick leave liability	<u>41,265</u>	<u>39,326</u>
Total accrued employee benefits	<u>\$ 767,126</u>	<u>\$ 765,187</u>

**Defined contribution plan**

The Organization maintains a defined contribution plan, which covers all employees who have met minimum service and age requirements. The Organization's contributions to the plan are discretionary but are anticipated to equal 8.00% of each participant's annual compensation. The Organization contributed \$167,829 and \$142,815 to the plan in 2016 and 2015, respectively.

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**(7) EMPLOYEE BENEFIT PLANS (continued)**

**Other benefits**

The Organization provides a health insurance supplement at age 65 for employees who have met the minimum service requirements upon normal retirement age of 62.

Employees who were employed as of December 5, 2012 and have at least 10 years of service will receive the benefit.

Employees who were employed as of December 5, 2012 having less than 10 years of service receive the benefit if they complete 20 years of service.

Anyone employed after December 5, 2012 will not receive the benefit.

The estimated liability recognized in the statement of financial position for these benefits was \$725,861 and \$725,861 at December 31, 2016 and 2015, respectively. The liability is recorded at the present value of estimated future cash flows using a discount rate of 3.00%. The future cash flows for payment of insurance coverage are estimated based on current costs adjusted for annual inflation of 5.00%.

Sick leave accrues at one day per month for full time employees. Unused sick leave will not be paid upon termination of employment. However, upon retirement, at age 62 years or older and after 10 years or more of employment, an employee will receive \$30 for each day of unused sick leave.

**(8) INFORMATION ABOUT NET ASSETS**

At December 31, 2016 and 2015, temporarily restricted net assets are available for the following purposes or periods

	<b>2016</b>	<b>2015</b>
Time restrictions		
Campaign pledges received for next period	\$ 7,179,720	\$ 6,819,762
Purpose restrictions		
Cash surrender value of life insurance	159,320	146,721
Temporarily restricted net assets	\$ 7,339,040	\$ 6,966,483

As of December 31, 2016, the board has designated \$153,589, \$96,794 and \$156,333 of unrestricted net assets to be used for The Center For Non-Profits, Building Stable Lives and the Invest in Children programs, respectively. The board has also designated \$65,697 of unrestricted net assets to be used for the administrative budget.

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**(9) LINE OF CREDIT**

The Organization has an unsecured line of credit with First Tennessee Bank in the amount of \$500,000. As of December 31, 2016, there was \$250,000 borrowed against this line.

**(10) FAIR VALUE MEASUREMENTS**

At December 31, 2016, the Organization's fair value hierarchy was classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Common stocks	\$ 2,040,799	\$ -	\$ -	\$ 2,040,799
Mutual funds	5,719,908	-	-	5,719,908
Corporate bonds	487,222	-	-	487,222
Bond fund	-	357,565	-	357,565
Hedge funds	-	9,695,532	-	9,695,532
Short term investments	837,092	-	-	837,092
	<u>\$ 9,085,021</u>	<u>10,053,097</u>	<u>\$ -</u>	<u>\$ 19,138,118</u>

At December 31, 2015, the Organization's fair value hierarchy was classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Common stocks	\$ 1,895,033	\$ -	\$ -	\$ 1,895,033
Mutual funds	5,622,611	-	-	5,622,611
Corporate bonds	665,593	-	-	665,593
Bond fund	-	330,289	-	330,289
Hedge funds	-	11,024,110	-	11,024,110
Government notes	180,143	-	-	180,143
Short term investments	340,552	-	-	340,552
	<u>\$ 8,703,932</u>	<u>11,354,399</u>	<u>\$ -</u>	<u>\$ 20,058,331</u>



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**(10) FAIR VALUE MEASUREMENTS (continued)**

A reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value is as follows:

	<b>2016</b>	<b>2015</b>
Beginning balance	\$ -	\$ 1,713,756
Contributions	-	-
Distributions	-	(1,730,936)
Investment earnings	-	17,180
Ending balance	\$ -	\$ -

**(11) CONCENTRATION OF CREDIT RISK**

The Organization has deposits at various banks with balances that exceed federal insurance coverage. At December 31, 2016 and 2015, the uninsured balances amount to approximately \$293,000 and \$718,000, respectively.

**(12) SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 22, 2017, the date which these statements were available for issue.

**(13) RECLASSIFICATION**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation.

