

**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

TABLE OF CONTENTS

| | <u>Page</u> |
|-------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT | 2-3 |
| FINANCIAL STATEMENTS | |
| Statements of financial position | 4 |
| Statements of activities | 5-6 |
| Statements of changes in net assets | 7 |
| Statements of cash flows | 8-9 |
| Statements of functional expenses | 10-13 |
| Notes to financial statements | 14-24 |



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.

| | | | | | |
|--|------------------------|------------|-------|----------------|--|
| | 2215 Olan Mills Drive | jhmcpa.com | 37421 | 423 756 0052 t | |
| | 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

| | 2016 | 2015 |
|------------------------------------------|---------------|---------------|
| <u>ASSETS</u> | | |
| 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 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| 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 |
| NET ASSETS | | |
| 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 |
| RESOURCES GENERATED | | | |
| 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) | - |
| | - | - | - |
| 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 | - | - |
| | 8,147,314 | 372,557 | 205 |
| Total resources generated | 8,147,314 | 372,557 | 205 |
| ALLOCATION AND EXPENSES | | | |
| 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 | - | - |
| | 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 | - | - |
| | 4,288,846 | - | - |
| Total allocation and expenses | 8,830,480 | - | - |
| 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

| | 2016 | 2015 |
|---------------------------------------------------------------------------------------------|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| 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 | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| 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 | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| 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 | | |
| NET DECREASE IN CASH | <u>\$ (97,012)</u> | <u>\$ (258,984)</u> |

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

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------------|-------------------|
| NET DECREASE IN CASH | \$ (97,012) | \$ (258,984) |
| CASH AND CASH EQUIVALENTS | | |
| 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**

| | Program Services | | | |
|---------------------------------------|-----------------------------------|-------------------------------|----------------------------------|--------------------------------------|
| | Center For Non-Profits | Invest In Children | Building Stable Lives | Other Direct Services |
| Direct costs | | | | |
| 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 |
| Allocation of support services | <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**

| | Program Services | | | |
|---------------------------------------|-----------------------------------|-------------------------------|----------------------------------|--------------------------------------|
| | Center For Non-Profits | Invest In Children | Building Stable Lives | Other Direct Services |
| Direct costs | | | | |
| 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> |
| Allocation of support services | <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.

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

(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:

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

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:

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

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

(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.

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

(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

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

(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> |

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

(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.

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

(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

| | 2016 | 2015 |
|-------------------------------------------|---------------------|---------------------|
| 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.

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

(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> |

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

(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:

| | 2016 | 2015 |
|---------------------|------|--------------|
| Beginning balance | \$ - | \$ 1,713,756 |
| Contributions | - | - |
| Distributions | - | (1,730,936) |
| Investment earnings | - | 17,180 |
| | - | 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.

