

UNITED WAY OF GREATER CHATTANOOGA

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

LBMC

**MAKE A GOOD
BUSINESS BETTER**

UNITED WAY OF GREATER CHATTANOOGA

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
United Way of Greater Chattanooga

We have audited the accompanying financial statements of United Way of Greater Chattanooga (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the 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.

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 June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LBMC, PC

Chattanooga, Tennessee
February 24, 2021

UNITED WAY OF GREATER CHATTANOOGA

Statements of Financial Position

June 30, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 1,036,105	\$ 400,663
Accounts receivable	70,757	42,379
Contributions receivable, net	4,142,236	5,569,516
Prepaid expenses	32,532	26,929
Investments	18,993,019	20,066,403
Cash surrender value of life insurance	215,886	196,703
Property and equipment, net	<u>2,970,145</u>	<u>2,371,559</u>
Total assets	\$ <u>27,460,680</u>	\$ <u>28,674,152</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 141,247	\$ 259,108
Community investments and designations payable	4,243,329	4,719,912
Accrued employee benefits	710,079	723,451
SBA loan payable	<u>620,400</u>	<u>-</u>
Total liabilities	<u>5,715,055</u>	<u>5,702,471</u>
Net assets:		
Without donor restrictions	12,992,026	13,860,033
With donor restrictions	<u>8,753,599</u>	<u>9,111,648</u>
Total net assets	<u>21,745,625</u>	<u>22,971,681</u>
Total liabilities and net assets	\$ <u>27,460,680</u>	\$ <u>28,674,152</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statements of Activities and Changes in Net Assets

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results	\$ -	\$ 8,718,475	\$ 8,718,475
Less, provision for uncollectible contributions	-	(1,010,623)	(1,010,623)
Less, donor designations	-	(704,917)	(704,917)
Net campaign revenue	-	7,002,935	7,002,935
Grants awarded	-	1,408,330	1,408,330
Investment income	110,102	21,922	132,024
Fee for service income	105,464	-	105,464
Special event income	-	73,191	73,191
Other income	59,052	-	59,052
Net assets released from restrictions	<u>8,864,427</u>	<u>(8,864,427)</u>	-
Total public support and revenue	<u>9,139,045</u>	<u>(358,049)</u>	<u>8,780,996</u>
Program services:			
Bold Play	1,043,322	-	1,043,322
211 Center	1,239,823	-	1,239,823
Building stable lives	241,875	-	241,875
Imagination Library	550,396	-	550,396
Early childhood	265,522	-	265,522
Early learning scholarships	122,869	-	122,869
Venture Forward	112,605	-	112,605
Mentoring	106,308	-	106,308
Other community investment programs	<u>4,532,724</u>	-	<u>4,532,724</u>
Total program services	8,215,444	-	8,215,444
Supporting services:			
Fundraising	882,290	-	882,290
Management and general	<u>909,318</u>	-	<u>909,318</u>
Total supporting services	<u>1,791,608</u>	-	<u>1,791,608</u>
Total expenses	<u>10,007,052</u>	-	<u>10,007,052</u>
Decrease in net assets	(868,007)	(358,049)	(1,226,056)
Net assets at beginning of year	<u>13,860,033</u>	<u>9,111,648</u>	<u>22,971,681</u>
Net assets at end of year	<u>\$ 12,992,026</u>	<u>\$ 8,753,599</u>	<u>\$ 21,745,625</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statements of Activities and Changes in Net Assets

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results	\$ -	\$ 8,525,443	\$ 8,525,443
Less, provision for uncollectible contributions	-	(427,745)	(427,745)
Less, donor designations	-	(579,946)	(579,946)
Net campaign revenue	-	7,517,752	7,517,752
Grants awarded	-	1,928,443	1,928,443
Investment income	368,892	22,433	391,325
Fee for service income	77,396	-	77,396
Special event income	-	185,193	185,193
Other income	21,658	-	21,658
Net assets released from restrictions	<u>9,560,410</u>	<u>(9,560,410)</u>	-
Total public support and revenue	<u>10,028,356</u>	<u>93,411</u>	<u>10,121,767</u>
Program services:			
Bold Play	1,390,997	-	1,390,997
211 Center	778,584	-	778,584
Building stable lives	292,602	-	292,602
Imagination Library	592,756	-	592,756
Early childhood	277,416	-	277,416
Early learning scholarships	100,171	-	100,171
Venture Forward	294,153	-	294,153
Mentoring	181,854	-	181,854
Other community investment programs	<u>9,071,642</u>	-	<u>9,071,642</u>
Total program services	12,980,175	-	12,980,175
Supporting services:			
Fundraising	930,487	-	930,487
Management and general	<u>956,504</u>	-	<u>956,504</u>
Total supporting services	<u>1,886,991</u>	-	<u>1,886,991</u>
Total expense	<u>14,867,166</u>	-	<u>14,867,166</u>
Increase (decrease) in net assets	(4,838,810)	93,411	(4,745,399)
Net assets at beginning of year	<u>18,698,843</u>	<u>9,018,237</u>	<u>27,717,080</u>
Net assets at end of year	<u>\$ 13,860,033</u>	<u>\$ 9,111,648</u>	<u>\$ 22,971,681</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Decrease in net assets	\$ <u>(1,226,056)</u>	\$ <u>(4,745,399)</u>
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	94,770	94,492
Provision for uncollectible contributions	1,010,623	427,745
Net investment activity	(132,024)	(391,325)
Loss on disposal of equipment	3,062	-
(Increase) decrease in operating assets:		
Accounts receivable	(28,378)	(12,038)
Contributions receivable	416,657	(791,819)
Prepaid expenses	(5,603)	30,105
Cash surrender value of life insurance	(19,183)	(17,334)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(117,861)	95,309
Community investments and designations payable	(476,583)	4,214,893
Accrued employee benefits	<u>(13,372)</u>	<u>(59,092)</u>
Total adjustments	<u>732,108</u>	<u>3,590,936</u>
Net cash used by operating activities	<u>(493,948)</u>	<u>(1,154,463)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	7,124,623	12,652,390
Purchase of investments	(5,919,708)	(11,437,390)
Purchase of property and equipment	<u>(695,925)</u>	<u>(34,901)</u>
Net cash provided by investing activities	<u>508,990</u>	<u>1,180,099</u>
Cash flows from financing activities:		
Proceeds from long-term debt	<u>620,400</u>	<u>-</u>
Increase in cash and cash equivalents	635,442	25,636
Cash and cash equivalents at beginning of period	<u>400,663</u>	<u>375,027</u>
Cash and cash equivalents at end of period	\$ <u><u>1,036,105</u></u>	\$ <u><u>400,663</u></u>
Supplemental disclosures of cash flow statement information:		
Interest paid	\$ <u><u>4,724</u></u>	\$ <u><u>9,782</u></u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services								Supporting Services			Total	
	Bold Play	211 Center	Building Stable Lives	Imagination Library	Early Childhood	Early Learning Scholarships	Venture Forward	Mentoring	Other Programs	Allocations to Agencies	Fundraising		Management and General
Building/occupancy	\$ 20,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,439	\$ 160,278
Communications/marketing	2,679	588	207	550	84	-	296	-	24	-	18,260	2,912	25,600
Consultants/contractors	178,426	32,098	-	-	5,626	35,625	-	-	2,738	-	44,500	-	299,013
Income taxes	-	-	-	-	-	-	-	-	-	-	-	2,768	2,768
Materials, equipment & technology	127,563	9,373	6,519	-	212	131	3,781	180	2,266	-	26,238	13,559	189,822
Meetings and events	370	950	5,809	155	5	-	5,916	1,722	18,902	-	110,560	8,362	152,751
Memberships and dues	23,103	16,585	7,125	3,573	6,923	2,143	2,714	3,823	8,958	294	22,066	26,044	123,351
Professional fees	-	35	-	-	-	-	-	5,000	-	10,000	17,511	91,114	123,660
Salaries and benefits	631,982	376,372	205,108	74,591	235,325	23,164	87,635	81,561	206,491	-	588,354	756,719	3,267,302
Staff development/training	471	4,408	4	-	-	-	2,607	4,568	1,629	-	4,830	5,388	23,905
Community impact projects	-	37,098	-	462,573	-	-	-	500	997	-	-	-	501,168
Designations to community agencies	-	-	-	-	-	-	-	-	-	704,917	-	-	704,917
Grants and direct funding	-	723,985	-	-	-	56,438	3,360	-	3,000	144,000	-	-	930,783
Investments in community agencies (allocations)	-	-	-	-	-	-	-	-	-	3,406,964	-	-	3,406,964
	985,433	1,201,492	224,772	541,442	248,175	117,501	106,309	97,354	245,005	4,266,175	832,319	1,046,305	9,912,282
Depreciation	19,952	13,211	5,895	3,086	5,979	1,850	2,170	3,086	7,425	-	17,223	14,893	94,770
Allocation of support services	37,937	25,120	11,208	5,868	11,368	3,518	4,126	5,868	14,119	-	32,748	(151,880)	-
Total	\$ 1,043,322	\$ 1,239,823	\$ 241,875	\$ 550,396	\$ 265,522	\$ 122,869	\$ 112,605	\$ 106,308	\$ 266,549	\$ 4,266,175	\$ 882,290	\$ 909,318	\$10,007,052

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services									Supporting Services			
	Bold Play	211 Center	Building Stable Lives	Imagination Library	Early Childhood	Early Learning Scholarships	Venture Forward	Mentoring	Other Programs	Allocations to Agencies	Fundraising	Management and General	Total
Building/occupancy	\$ 41,540	\$ 28,690	\$ 18,684	\$ 5,979	\$ 9,300	\$ 2,989	\$ 9,965	\$ 4,027	\$ 7,972	\$ -	\$ 29,078	\$ 49,824	\$ 208,048
Communications/marketing	8,292	373	71	704	333	-	2,359	37	-	-	13,567	2,983	28,719
Consultants/contractors	319,923	-	-	-	27,075	-	-	114,132	2,738	-	6,385	9,157	479,410
Materials, equipment & technology	189,638	3,768	6,671	297	778	149	6,031	200	7,573	-	30,391	6,945	252,441
Meetings and events	880	896	2,610	952	137	62	60,440	1,018	5,272	-	226,685	22,665	321,617
Memberships and dues	-	280	1,006	-	-	-	1,243	-	123	-	3,738	125,089	131,479
Professional fees	-	30,441	-	-	-	-	-	218	-	-	24,950	103,812	159,421
Salaries and benefits	777,584	355,101	240,378	80,923	190,075	17,057	200,396	57,510	84,483	-	553,061	716,805	3,273,373
Staff development/training	4,207	3,102	858	-	1,571	-	2,058	-	2,996	-	6,605	10,208	31,605
Community impact projects	-	106	-	491,905	36,723	-	-	-	7,842	-	-	-	536,576
Designations to community agencies	-	-	-	-	-	-	-	-	-	579,946	-	-	579,946
Grants and direct funding	-	322,255	460	5,000	540	76,415	-	-	19,670	-	2,000	-	426,340
Investments in community agencies (allocations)	-	-	-	-	-	-	-	-	-	8,343,699	-	-	8,343,699
	1,342,064	745,012	270,738	585,760	266,532	96,672	282,492	177,142	138,669	8,923,645	896,460	1,047,488	14,772,674
Depreciation	18,891	12,961	8,441	2,701	4,202	1,351	4,502	1,819	3,601	-	13,137	22,886	94,492
Allocation of support services	30,042	20,611	13,423	4,295	6,682	2,148	7,159	2,893	5,727	-	20,890	(113,870)	-
Total	\$ 1,390,997	\$ 778,584	\$ 292,602	\$ 592,756	\$ 277,416	\$ 100,171	\$ 294,153	\$ 181,854	\$ 147,997	\$ 8,923,645	\$ 930,487	\$ 956,504	\$14,867,166

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

(1) Nature of activities

With a goal to help everyone in Greater Chattanooga reach their full potential, United Way of Greater Chattanooga (the "Organization") unites people and resources to build a stronger and healthier community. As a nonprofit organization, the Organization focuses on increasing access to education, stability, and health resources as the main drivers of opportunity for all community members. Through giving, advocating, and volunteering, the Organization mobilizes and creates partnerships with corporations, nonprofit partners, public policy influencers, and community leaders to empower experts with resources to create informed, sustainable impact.

(2) Summary of significant accounting policies

The financial statements of the Organization are presented on the accrual basis. The significant accounting policies followed are described below:

(a) Basis of presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- (i) Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.
- (ii) Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that:
 - 1) may or will be met either by actions of the Organization and/or the passage of time or
 - 2) may be maintained permanently by the Organization.

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

(b) Cash equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents, except for cash and investments held in the funds functioning as endowments.

(c) Contributions receivable

The Organization reports contributions receivable, net of a discount and an allowance for doubtful accounts, at the amount which represents management's estimate of the amount that ultimately will be realized. The Organization reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends and existing economic conditions, as well as review of specific accounts, and makes adjustments in the allowance as necessary.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

(d) Investments

Investments are shown at their fair values in the statements of financial position. Investment income shown in the statements of activities and changes in net assets includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment income is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment income that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment income is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions.

(e) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. All buildings are constructed on property owned by the Organization, and are depreciated over forty years. Improvements are depreciated over fifteen years, while furniture, fixtures, and computer equipment are generally depreciated over five to ten years. Donated property and equipment are recorded at fair value on the date of the gift.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in net assets without donor restrictions.

(f) Community investments payable

Commitments of funds by the Organization for program services relate to community investments, grants and initiatives and community services and are recorded as community investments payable and program services expense when the Organization has committed to an obligation.

(g) Income taxes

The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Certain activities of the Organization may be subject to Unrelated Business Income Taxes, such as earnings from investment in limited partnerships. These taxes are reflected in income tax expense in the statements of functional expenses.

As of June 30, 2020 and 2019, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

(h) Revenue recognition

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. The Organization considers the pledges received under the current year community-wide campaign, to be restricted for use in the following year.

(i) Donor designations

Annual campaign gifts in which United Way agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deducted from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements, these designations are presented as part of gross campaign results on the statements of activities and changes in net assets, but are then deducted to arrive at United Way's actual revenue under accounting principals generally accepted in the United States of America.

(j) Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, building and occupancy, membership dues, and other shared costs such as interest expense and supplies. These costs are allocated using a ratio of each department to entity total full-time equivalents. Salaries and benefits are directly allocated to the program for which the staff works. Staff who work for more than one program are charged on the basis of estimates of time and effort for each department. Administrative personnel are not allocated and are charged wholly to general and administrative expense.

(k) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

(l) Newly adopted accounting pronouncements

The Organization adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Made*, during the year ended June 30, 2020. ASU 2018-08 clarifies the accounting guidance for making or receiving contributions. The ASU provides a framework for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance. The adoption of this standard had no material impact on the financial statements.

(m) Recent accounting standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the provisions of ASC 606.

(n) Reclassifications

Certain reclassifications have been made to the 2019 financial statements in order for them to conform to the 2020 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(o) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2020, and February 24, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Credit risk and other concentrations

The Organization generally maintains cash on deposit at banks in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Because the majority of the contributors reside in and around Hamilton County, Tennessee, collection of contributions receivable is substantially dependent upon the economic stability of the area.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

(4) Contributions receivable

A summary of contributions receivable at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Receivable within one year	\$ 4,750,122	\$ 5,320,509
Receivable in one to five years	397,000	924,310
Receivable in five to seven years	<u>-</u>	<u>25,000</u>
	5,147,122	6,269,819
Present value discount	(15,940)	(40,903)
Allowance for doubtful accounts	<u>(988,946)</u>	<u>(659,400)</u>
	<u>\$ 4,142,236</u>	<u>\$ 5,569,516</u>

Pledges receivable that are due in more than one year are recorded at the present value of estimated future cash flows using a discount rate of approximately 1.25% and 2.41% as of June 30, 2020 and 2019, respectively.

(5) Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to optimize the investment of its available funds and use of the line of credit. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and investments. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover expenditures not covered by donor restricted resources or, where appropriate, borrowings.

Financial assets available for general expenditures within one year of the statements of financial position date as of June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,036,105	\$ 400,663
Accounts receivable	70,757	42,379
Contributions receivable, net	4,142,236	5,569,516
Less: contributions to be received after June 30	(397,000)	(949,310)
Less: contributions receivable with donor purpose restrictions	<u>(592,212)</u>	<u>(769,325)</u>
Total contributions receivable	3,153,024	3,850,881
Investments not subject to donor or Board designation	<u>937,726</u>	<u>938,477</u>
	<u>\$ 5,197,612</u>	<u>\$ 5,232,400</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2020 and 2019

The Organization also maintains funds designated by the Board of Directors to function as endowments, totaling \$16,381,352 and \$17,454,070 as of June 30, 2020 and 2019, respectively, which the Board of Directors could make available for general use upon amendment of the Organization's endowment policy.

(6) Investments

At June 30, 2020 and 2019, investments consist of bond funds, common stock, mutual funds, hedge funds, and investments in privately traded limited partnerships, and are categorized as follows:

	<u>2020</u>	<u>2019</u>
Endowment	\$ 18,055,293	\$ 19,127,926
Other investments	<u>937,726</u>	<u>938,477</u>
	<u>\$ 18,993,019</u>	<u>\$ 20,066,403</u>

The following table summarizes the investment income in the statements of activities and changes in net assets for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net gain on investments	\$ 243,738	\$ 335,769
Interest and dividend income	85,277	217,270
Fees paid	<u>(196,991)</u>	<u>(161,714)</u>
	<u>\$ 132,024</u>	<u>\$ 391,325</u>

Certain investments in limited partnerships may have time restrictions or no immediate availability related to the withdrawal of funds.

(7) Endowment

The Organization's endowment consists of approximately 15 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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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 net assets with donor restrictions: (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. 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

The Organization last updated its endowment spending policy in 1986. The Board is currently reviewing an updated spending policy. Endowment spending was \$1,150,000 and \$1,160,000 for the years ended June 30, 2020 and 2019, respectively.

Endowment net assets composition by type of fund as of June 30, 2020 and 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2020:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>16,381,352</u>	<u>-</u>	<u>16,381,352</u>
	<u>\$ 16,381,352</u>	<u>\$ 1,673,941</u>	<u>\$ 18,055,293</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019:			
Donor restricted endowment funds	\$ -	\$ 1,673,856	\$ 1,673,856
Board designated endowment funds	<u>17,454,070</u>	<u>-</u>	<u>17,454,070</u>
	<u>\$ 17,454,070</u>	<u>\$ 1,673,856</u>	<u>\$ 19,127,926</u>

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June 30, 2020 and 2019

Changes in Endowment Net Assets for the fiscal period ended June 30, 2020 and 2019, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2020:			
Endowment assets, beginning of year	\$ 17,454,070	\$ 1,673,856	\$ 19,127,926
Investment return:			
Investment income	77,282	-	77,282
Appropriation of endowment:			
Assets for expenditure	(1,150,000)	-	(1,150,000)
Other changes:			
Additions to endowment funds	-	85	85
	<u>\$ 16,381,352</u>	<u>\$ 1,673,941</u>	<u>\$ 18,055,293</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019:			
Endowment assets, beginning of year	\$ 18,253,858	\$ 1,673,856	\$ 19,927,714
Investment return:			
Investment income	360,212	-	360,212
Appropriation of endowment:			
Assets for expenditure	(1,160,000)	-	(1,160,000)
	<u>\$ 17,454,070</u>	<u>\$ 1,673,856</u>	<u>\$ 19,127,926</u>

(8) Assets and liabilities measured at fair value

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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The following is a description of the valuation methodology used for assets measured at fair value:

- (i) ***Common stock, and mutual funds:*** Valued at quoted market prices available in an active market.
- (ii) ***Hedge funds:*** Valued at estimated net asset value per share of underlying long and short equity positions.
- (iii) ***Investments in privately traded limited partnerships:*** Investments in privately traded limited partnerships have no quoted market prices and are stated at estimated fair value as provided by the general partner and/or the investment manager. These estimated values may be determined based on the value of the underlying assets, sales of comparable assets, projected cash flows or some combination thereof. Due to the inherent uncertainty of the valuation, the assigned fair values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments are held in agency accounts at Regions Bank, First Tennessee Bank, Pinnacle Bank, SunTrust Bank, and several investment limited partnerships and money market accounts, and are carried at their fair market value.

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The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2020 and 2019:

**Fair Value Measurements as of
June 30, 2020 Using the Following Inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,322,070	\$ -	\$ -	\$ 1,322,070
Mutual funds	3,291,004	-	-	3,291,004
Hedge funds	-	-	739,257	739,257
Limited partnerships	-	-	<u>12,088,935</u>	<u>12,088,935</u>
Total assets in fair value hierarchy	\$ <u>4,613,074</u>	\$ <u>-</u>	\$ <u>12,828,192</u>	17,441,266
Investments measured at NAV as a practical expedient (a)				<u>1,551,753</u>
Investments at fair value				\$ <u>18,993,019</u>

- (a) Certain investments are measured at net asset value (NAV) as a practical expedient to estimate fair value and, therefore, has not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

**Fair Value Measurements as of
June 30, 2019 Using the Following Inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,322,092	\$ -	\$ -	\$ 1,322,092
Mutual funds	4,614,574	-	-	4,614,574
Hedge funds	-	-	727,145	727,145
Limited partnerships	-	-	<u>13,402,592</u>	<u>13,402,592</u>
Total	\$ <u>5,936,666</u>	\$ <u>-</u>	\$ <u>14,129,737</u>	\$ <u>20,066,403</u>

The following table summarizes investments for which the fair value is measured using the net asset value ("NAV") per share practical expedient as of June 30, 2020.

<u>Description</u>	<u>Fair Value 6/30/2020</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Limited partnership	\$1,551,753	n/a	Annually	90 days

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(9) Property and equipment

Property and equipment at June 30, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 227,782	\$ 227,782
Buildings	2,799,347	2,799,347
Improvements	586,787	42,666
Computer equipment	159,786	148,096
Furniture and fixtures	374,510	268,775
Construction in progress	<u>-</u>	<u>27,697</u>
	4,148,212	3,514,363
Accumulated depreciation	<u>(1,178,067)</u>	<u>(1,142,804)</u>
Property and equipment, net	\$ <u>2,970,145</u>	\$ <u>2,371,559</u>

Construction in progress at June 30, 2019, consisted primarily of building improvements.

(10) Accrued employee benefits

A summary of accrued employee benefits as of June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Post-retirement benefits liability	\$ 604,700	\$ 600,866
Accrued sick and vacation	90,453	93,984
Other current employee benefits	<u>14,926</u>	<u>28,601</u>
	\$ <u>710,079</u>	\$ <u>723,451</u>

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 is recorded at the present value of estimated future cash flows using a discount rate of 1.25% and 2.41%, and an inflation rate of 0.60% and 1.90%, as of June 30, 2020 and 2019, respectively.

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The following table provides a reconciliation of the changes in the post-retirement benefit liability for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Post-retirement benefits liability, beginning of period	\$ 600,866	\$ 667,117
Service cost	45,485	12,226
Interest costs	(40,061)	(8,816)
Change in discount rate assumption	(73,741)	(28,837)
Change in other assumptions	81,104	-
Actuarial gain	5,692	(23,623)
Benefits paid	<u>(14,645)</u>	<u>(17,201)</u>
Post-retirement benefits liability, end of period	\$ <u>604,700</u>	\$ <u>600,866</u>

Due to the level of risk associated with the post-retirement benefit liability, it is reasonably possible that changes to actual post-retirement benefits will occur and that such changes could materially affect the amounts reported in the statements of financial position.

Information about the expected future cash flows for the post-retirement benefit liability for the next ten years as of June 30, 2020, is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 31,257
2022	33,037
2023	39,253
2024	39,526
2025	34,235
2026 to 2030	174,927

(11) Line of credit and SBA loan payable

The Organization had an unsecured line of credit available with First Tennessee Bank in the amount of \$500,000 as of June 30, 2019. In November 2019, the line of credit was amended to increase the amount to \$1,250,000 and the maturity date was extended to November 2020. In December 2020, the line of credit was amended to reduce the amount to \$500,000 and the maturity date was extended to November 2021. The line of credit bears interest at a variable interest rate based on the bank's base commercial rate (3.25% at June 30, 2020). Monthly payments of interest are required under the line of credit. There was no balance outstanding under the line at June 30, 2020 and 2019.

During 2020, the Organization entered into a Paycheck Protection Program loan. The use of funds is restricted by the Small Business Association. Interest of 1% is due monthly, and the loan matures in April 2022. There are no principal payments necessary during the course of the loan if the loan is not fully forgiven. The loan is unsecured. The balance of the loan at June 30, 2020 was \$620,400.

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(12) Net assets

Net assets as of June 30, 2020 and 2019, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Without donor restrictions, undesignated	\$ (3,389,326)	\$ (3,594,037)
Without donor restrictions, board designated	<u>16,381,352</u>	<u>17,454,070</u>
Total net assets without donor restrictions	<u>12,992,026</u>	<u>13,860,033</u>
With donor restrictions:		
Time and purpose restrictions:		
Time and purpose restrictions - expendable within		
twelve months following fiscal year-end:		
Management and general	-	85
Fundraising	125,090	242,416
Bold Play	545,965	315,000
Community partnerships	25	40,513
211 Center	62,564	434,296
Imagination library	5,465	115,440
Early childhood	-	98,500
Early learning scholarships	-	100,264
Mentoring	26,753	29,500
Affinity Groups	7,373	-
Volunteer Center	25,000	-
Venture Forward	103	-
Contributions to support community investment		
and operations of future periods	<u>4,766,506</u>	<u>-</u>
	<u>5,564,844</u>	<u>1,376,014</u>
Time and purpose restrictions - expendable		
between thirteen and twenty-four months		
following fiscal year-end:		
Management and general	-	68,303
Bold Play	130,000	339,000
Imagination library	-	75,000
Contributions to support community investment		
and operations of future periods	<u>127,724</u>	<u>794,248</u>
	<u>257,724</u>	<u>1,276,551</u>

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Time and purpose restrictions - expendable after twenty-five months following fiscal year-end:		
Management and general	-	211,172
Bold Play	10,000	140,000
Contributions to support community investment and operations of future periods	<u>113,860</u>	<u>-</u>
	<u>123,860</u>	<u>351,172</u>
Total time and purpose restrictions	<u>5,946,428</u>	<u>3,003,737</u>
Purpose restrictions:		
Bold Play	-	39,659
211 Center	850,560	734,764
Early childhood	-	47,909
Early learning scholarships	51,646	77,806
Mentoring	15,138	73,697
Contributions to support community investment and operations of future periods	<u>-</u>	<u>3,263,517</u>
Total purpose restrictions	<u>917,344</u>	<u>4,237,352</u>
Time restrictions:		
Owned life insurance	215,886	196,703
Endowment funds	<u>1,673,941</u>	<u>1,673,856</u>
Total time restrictions	<u>1,889,827</u>	<u>1,870,559</u>
Total net assets with donor restrictions	<u>8,753,599</u>	<u>9,111,648</u>
Total net assets	<u>\$ 21,745,625</u>	<u>\$ 22,971,681</u>

(13) Retirement plan

The Organization sponsors a defined contribution retirement plan covering substantially all employees. The Organization contributes a percentage of each eligible employee's annual compensation to the plan. This percentage was 6% during 2020, with an additional 2% available as a matching contribution. The Organization made contributions of \$188,224 and \$188,236 to the plan in 2020 and 2019, respectively.

(14) Allocations to agencies

Allocations to agencies, other than donor designations, are recorded as an expense on the statements of functional expenses when they are approved by the Board of Directors. During the year ended June 30, 2020, the Board of Directors approved allocations to agencies totaling \$3,550,964 for the year ended June 30, 2021. During the year ended June 30, 2019, the Board of Directors approved allocations to agencies totaling \$4,176,978 for the year ended June 30, 2019, and \$4,166,721 for the year ended June 30, 2020.

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(15) Subsequent events

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an emerging infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. The Organization has continued to operate and has not experienced significant disruptions in workforce, operations, or collections of contributions receivable. While it is not possible to predict the impacts of the outbreak on the Organization's financial condition and results of operations, significant disruptions to key business drivers, such as the collectability of contributions receivable, market impact on the principal and earnings of investments including the Organization's endowment, campaign revenue, and the ability of the Organization to perform certain functions required by grants, are possible. Management is closely monitoring the situation and developing strategies designed to mitigate such impacts. The Organization is participating in the Paycheck Protection Program as authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act.