

UNITED WAY OF GREATER CHATTANOOGA

Financial Statements and Other Financial Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)



UNITED WAY OF GREATER CHATTANOOGA

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to the Financial Statements	9 - 23
Other Financial Information:	
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	28 - 29
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings	31



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, 2021 and 2020, 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 audit as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. We conducted our audit as of and for the year ended June 30, 2020, 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, 2021 and 2020, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes on Pages 24 through 25, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

LBMC, PC

Chattanooga, Tennessee
November 12, 2021

UNITED WAY OF GREATER CHATTANOOGA

Statements of Financial Position

June 30, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 1,844,684	\$ 1,036,105
Accounts receivable	34,944	70,757
Contributions receivable, net	3,549,155	4,142,236
Prepaid expenses	80,256	32,532
Investments	24,198,330	18,993,019
Cash surrender value of life insurance	234,487	215,886
Property and equipment, net	<u>2,816,730</u>	<u>2,970,145</u>
Total assets	<u>\$ 32,758,586</u>	<u>\$ 27,460,680</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 371,007	\$ 141,247
Community investments and designations payable	3,946,291	4,243,329
Accrued employee benefits	686,003	710,079
SBA loan payable	<u>620,400</u>	<u>620,400</u>
Total liabilities	<u>5,623,701</u>	<u>5,715,055</u>
Net assets:		
Without donor restrictions	19,637,699	12,992,026
With donor restrictions	<u>7,497,186</u>	<u>8,753,599</u>
Total net assets	<u>27,134,885</u>	<u>21,745,625</u>
Total liabilities and net assets	<u>\$ 32,758,586</u>	<u>\$ 27,460,680</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results	\$ -	\$ 7,741,180	\$ 7,741,180
Less, provision for uncollectible contributions, net of recoveries	-	197,712	197,712
Less, donor designations	<u>-</u>	<u>(766,475)</u>	<u>(766,475)</u>
Net campaign revenue	-	7,172,417	7,172,417
Grants awarded	-	2,372,398	2,372,398
Investment income	5,443,393	86,954	5,530,347
Fee for service income	162,684	-	162,684
Special event income	-	226,951	226,951
Other income	41,229	-	41,229
Net assets released from restrictions	<u>11,115,133</u>	<u>(11,115,133)</u>	<u>-</u>
Total public support and revenue	<u>16,762,439</u>	<u>(1,256,413)</u>	<u>15,506,026</u>
Program services:			
211 Center	1,972,761	-	1,972,761
Building stable lives	147,218	-	147,218
Imagination Library	182,321	-	182,321
Early childhood	112,933	-	112,933
Early learning scholarships	82,992	-	82,992
Venture Forward	469,377	-	469,377
Mentoring	63,472	-	63,472
Other community investment programs	<u>4,539,867</u>	<u>-</u>	<u>4,539,867</u>
Total program services	7,570,941	-	7,570,941
Supporting services:			
Fundraising	1,554,364	-	1,554,364
Management and general	<u>991,461</u>	<u>-</u>	<u>991,461</u>
Total supporting services	<u>2,545,825</u>	<u>-</u>	<u>2,545,825</u>
Total expenses	<u>10,116,766</u>	<u>-</u>	<u>10,116,766</u>
Increase (decrease) in net assets	6,645,673	(1,256,413)	5,389,260
Net assets at beginning of year	<u>12,992,026</u>	<u>8,753,599</u>	<u>21,745,625</u>
Net assets at end of year	<u>\$ 19,637,699</u>	<u>\$ 7,497,186</u>	<u>\$ 27,134,885</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statements of Activities and Changes in Net Assets

Year ended June 29, 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 expense	<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 Cash Flows

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>5,389,260</u>	\$ <u>(1,226,056)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	164,532	94,770
Provision for uncollectible contributions	197,712	1,010,623
Gain on investments, net	(5,695,367)	(132,024)
Loss on disposal of equipment	-	3,062
(Increase) decrease in operating assets:		
Accounts receivable	35,813	(28,378)
Contributions receivable	395,369	416,657
Prepaid expenses	(47,724)	(5,603)
Cash surrender value of life insurance	(18,601)	(19,183)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	229,760	(117,861)
Community investments and designations payable	(297,038)	(476,583)
Accrued employee benefits	<u>(24,076)</u>	<u>(13,372)</u>
Total adjustments	<u>(5,059,620)</u>	<u>732,108</u>
Net cash provided (used) by operating activities	<u>329,640</u>	<u>(493,948)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	4,692,933	7,124,623
Purchase of investments	(4,202,877)	(5,919,708)
Purchase of property and equipment	<u>(11,117)</u>	<u>(695,925)</u>
Net cash provided by investing activities	<u>478,939</u>	<u>508,990</u>
Cash flows from financing activities:		
Proceeds from long-term debt	-	<u>620,400</u>
Increase in cash and cash equivalents	808,579	635,442
Cash and cash equivalents at beginning of period	<u>1,036,105</u>	<u>400,663</u>
Cash and cash equivalents at end of period	\$ <u><u>1,844,684</u></u>	\$ <u><u>1,036,105</u></u>
Supplemental disclosures of cash flow statement information:		
Interest paid	\$ <u><u>-</u></u>	\$ <u><u>4,724</u></u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Functional Expenses

Year ended June 30, 2021

	Program Services							Supporting Services			Total	
	211 Center	Building Stable Lives	Imagination Library	Early Childhood	Early Learning Scholarships	Venture Forward	Mentoring	Other Programs	Community Investments	Fundraising		Management and General
Building/occupancy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,908	\$ -	\$ -	\$ -	\$ -	\$ 154,708	\$ 162,616
Communications/marketing	900	-	1,226	-	252	1,916	1,881	-	-	18,138	2,526	26,839
Consultants/contractors	-	-	-	-	11,900	48,500	-	1,400	101,069	6,000	5,938	174,807
Income taxes	-	-	-	-	-	-	-	-	-	-	500	500
Materials, equipment & technology	25,304	4,181	-	-	496	11,747	92	543	2,219	212,933	86,947	344,462
Meetings and events	939	394	30	-	30	14,696	8,461	172	-	128,143	7,712	160,577
Memberships and dues	23,270	5,059	309	3,794	2,024	13,265	1,993	14,078	-	38,367	28,649	130,808
Professional fees	35	-	-	-	-	-	-	-	10,000	14,456	65,498	89,989
Salaries and benefits	641,496	123,242	5,218	98,608	29,857	335,672	46,208	340,237	62,263	1,029,510	738,336	3,450,647
Staff development/training	289	300	-	-	-	100	-	-	-	1,307	14,498	16,494
Community impact projects	9,638	-	174,680	-	-	-	-	5,518	-	-	-	189,836
Designations to community agencies	-	-	-	-	-	-	-	-	766,475	-	-	766,475
Grants and direct funding	808,749	-	-	-	32,816	-	-	-	2,625	-	-	844,190
Community investment grants	399,108	-	-	-	-	-	-	-	3,194,886	-	-	3,593,994
	1,909,728	133,176	181,463	102,402	77,375	433,804	58,635	361,948	4,139,537	1,448,854	1,105,312	9,952,234
Depreciation	31,663	7,054	431	5,290	2,822	17,870	2,430	19,281	-	53,002	24,689	164,532
Allocation of support services	31,370	6,988	427	5,241	2,795	17,703	2,407	19,101	-	52,508	(138,540)	-
Total	\$ 1,972,761	\$ 147,218	\$ 182,321	\$ 112,933	\$ 82,992	\$ 469,377	\$ 63,472	\$ 400,330	\$ 4,139,537	\$ 1,554,364	\$ 991,461	\$10,116,766

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	Community Investments	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
Community investment grants	-	-	-	-	-	-	-	-	-	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

Notes to the Financial Statements

June 30, 2021 and 2020

(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 and accounts receivable

The Organization reports contributions and accounts 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, 2021 and 2020

(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

Community investments payable represent commitments of funds by the Organization for program services related 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 unconditional 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, 2021 and 2020, 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, 2021 and 2020

(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.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Program revenues are generally recognized when services are rendered. The Organization recognizes revenue from fundraising on the day of a fundraising event.

(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 principles 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, 2021 and 2020

(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) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2021, and November 12, 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.

(4) Contributions receivable

A summary of contributions receivable at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Receivable within one year	\$ 3,790,439	\$ 4,750,122
Receivable in one to five years	<u>150,000</u>	<u>397,000</u>
	3,940,439	5,147,122
Present value discount	(6,385)	(15,940)
Allowance for doubtful accounts	<u>(384,899)</u>	<u>(988,946)</u>
	<u>\$ 3,549,155</u>	<u>\$ 4,142,236</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 2.43% and 1.25% as of June 30, 2021 and 2020, respectively.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

(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 its 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, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,844,684	\$ 1,036,105
Accounts receivable	34,944	70,757
Contributions receivable, net	3,549,155	4,142,236
Less: contributions to be received after June 30	(150,000)	(397,000)
Less: contributions receivable with donor purpose restrictions	<u>(2,128,582)</u>	<u>(592,212)</u>
Total contributions receivable	<u>1,270,573</u>	<u>3,153,024</u>
Investments not subject to donor or Board designation	<u>5,419,181</u>	<u>937,726</u>
	<u>\$ 8,569,382</u>	<u>\$ 5,197,612</u>

The Organization also maintains funds designated by the Board of Directors to function as endowments, totaling \$17,105,208 and \$16,381,352 as of June 30, 2021 and 2020, 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, 2021 and 2020, investments consist of bond funds, common stock, mutual funds, hedge funds, and investments in privately traded limited partnerships, and are categorized as follows:

	<u>2021</u>	<u>2020</u>
Endowment	\$ 18,779,149	\$ 18,055,293
Other investments	<u>5,419,181</u>	<u>937,726</u>
	<u>\$ 24,198,330</u>	<u>\$ 18,993,019</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

The following table summarizes the investment income in the statements of activities and changes in net assets for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net realized and unrealized gain on investments	\$ 5,695,403	\$ 243,738
Interest and dividend income	77,073	85,277
Fees paid	<u>(242,129)</u>	<u>(196,991)</u>
	<u>\$ 5,530,347</u>	<u>\$ 132,024</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.

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

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

The Organization updated its endowment spending policy in 2021. Endowment spending for funds designated by the Board of Directors to function as endowments will be an amount up to 5.5% of the trailing five-year quarterly average market value of the total Board directed endowment fund. Endowment spending was \$1,150,000 for the years ended June 30, 2021 and 2020. In 2021, the Board released \$3,389,326 of funds designated by the Board of Directors to function as endowments to undesignated net assets.

Endowment net assets composition by type of fund as of June 30, 2021 and 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>17,105,208</u>	<u>-</u>	<u>17,105,208</u>
	<u>\$ 17,105,208</u>	<u>\$ 1,673,941</u>	<u>\$ 18,779,149</u>
	<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>

Changes in Endowment Net Assets for the fiscal period ended June 30, 2021 and 2020, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2021:			
Endowment assets, beginning of year	\$ 16,381,352	\$ 1,673,941	\$ 18,055,293
Investment return:			
Investment income	5,263,182	-	5,263,182
Appropriation of endowment:			
Assets for expenditure	(1,150,000)	-	(1,150,000)
Other changes:			
Released from board designated endowment fund	<u>(3,389,326)</u>	<u>-</u>	<u>(3,389,326)</u>
	<u>\$ 17,105,208</u>	<u>\$ 1,673,941</u>	<u>\$ 18,779,149</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

	<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 (subtractions) to endowment funds	-	85	85
	<u>\$ 16,381,352</u>	<u>\$ 1,673,941</u>	<u>\$ 18,055,293</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.

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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

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, Truist Bank, and several investment limited partnerships and money market accounts, and are carried at their fair market value.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021 and 2020:

**Fair Value Measurements as of
June 30, 2021 Using the Following Inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,770,241	\$ -	\$ -	\$ 1,770,241
Mutual funds	6,026,409	-	-	6,026,409
Hedge funds	-	-	921,609	921,609
Limited partnerships	<u>-</u>	<u>-</u>	<u>13,606,941</u>	<u>13,606,941</u>
Total assets in fair value hierarchy	\$ <u>7,796,650</u>	\$ <u>-</u>	\$ <u>14,528,550</u>	22,325,200
Investments measured at NAV as a practical expedient (a)				<u>1,873,130</u>
Investments at fair value				\$ <u>24,198,330</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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

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	-	-	12,088,935	12,088,935
Total	\$ <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>

The following table summarizes investments for which the fair value is measured using the NAV per share practical expedient as of June 30, 2021 and 2020.

<u>Description</u>	<u>Fair Value 6/30/2021</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	\$1,873,130	\$1,551,753	n/a	Annually	90 days

(9) Property and equipment

Property and equipment at June 30, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 227,782	\$ 227,782
Buildings	2,799,347	2,799,347
Improvements	586,787	586,787
Computer equipment	166,465	159,786
Furniture and fixtures	374,510	374,510
Construction in progress	<u>4,438</u>	<u>-</u>
	4,159,329	4,148,212
Accumulated depreciation	<u>(1,342,599)</u>	<u>(1,178,067)</u>
Property and equipment, net	\$ <u>2,816,730</u>	\$ <u>2,970,145</u>

Construction in progress at June 30, 2020, consisted primarily of building improvements. Depreciation expense was \$164,532 and \$94,770 for the years ended June 30, 2021 and 2020, respectively.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

(10) Accrued employee benefits

A summary of accrued employee benefits as of June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Post-retirement benefits liability	\$ 579,442	\$ 604,700
Accrued sick and vacation	86,343	90,453
Other current employee benefits	<u>20,218</u>	<u>14,926</u>
	<u>\$ 686,003</u>	<u>\$ 710,079</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 1.45% and 1.25%, and an inflation rate of 2.80% and 0.60%, as of June 30, 2021 and 2020, respectively.

The following table provides a reconciliation of the changes in the post-retirement benefit liability for 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Post-retirement benefits liability, beginning of period	\$ 604,700	\$ 600,866
Service cost	45,485	45,485
Interest costs	(18,630)	(40,061)
Change in discount rate assumption	97,004	(73,741)
Change in other assumptions	(120,550)	81,104
Actuarial gain (loss)	(8,641)	5,692
Benefits paid	<u>(19,926)</u>	<u>(14,645)</u>
Post-retirement benefits liability, end of period	<u>\$ 579,442</u>	<u>\$ 604,700</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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

Information about the expected future cash flows for the post-retirement benefit liability for the next ten years as of June 30, 2021, is as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 32,343
2023	27,581
2024	34,983
2025	35,944
2026	32,532
2027 to 2031	170,389

(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, 2021). Monthly payments of interest are required under the line of credit. There was no balance outstanding under the line at June 30, 2021 and 2020.

During 2020, the Organization entered into a Paycheck Protection Program loan. The use of funds is restricted by the Small Business Association (SBA). The loan was forgiven in September 2021. The balance of the loan at June 30, 2021 and 2020 was \$620,400.

(12) Net assets

Net assets as of June 30, 2021 and 2020, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Without donor restrictions:		
Without donor restrictions, undesignated	\$ 2,532,491	\$ (3,389,326)
Without donor restrictions, board designated	<u>17,105,208</u>	<u>16,381,352</u>
Total net assets without donor restrictions	<u>19,637,699</u>	<u>12,992,026</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

With donor restrictions:

Time and purpose restrictions:

**Time and purpose restrictions - expendable within
twelve months following fiscal year-end:**

Fundraising	99,305	125,090
Bold Play	-	545,965
Community partnerships	-	25
211 Center	175,351	62,564
Imagination library	17,636	5,465
Mentoring	-	26,753
Affinity Groups	-	7,373
Volunteer Center	-	25,000
Venture Forward	-	103
Contributions to support community investment and operations of future periods	<u>3,406,591</u>	<u>4,766,506</u>
	<u>3,698,883</u>	<u>5,564,844</u>

**Time and purpose restrictions - expendable
between thirteen and twenty-four months
following fiscal year-end:**

Venture Forward	5,000	-
Bold Play	-	130,000
Contributions to support community investment and operations of future periods	<u>193,431</u>	<u>127,724</u>
	<u>198,431</u>	<u>257,724</u>

**Time and purpose restrictions - expendable after
twenty-five months following fiscal year-end:**

Venture Forward	5,000	-
Bold Play	-	10,000
Contributions to support community investment and operations of future periods	<u>75,000</u>	<u>113,860</u>
	<u>80,000</u>	<u>123,860</u>
Total time and purpose restrictions	<u>3,977,314</u>	<u>5,946,428</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

Purpose restrictions:		
General and administrative	83,621	-
211 Center	1,054,988	850,560
Early learning scholarships	10,831	51,646
Venture Forward	454,636	-
Mentoring	3,419	15,138
Contributions to support community investment and operations of future periods	<u>3,949</u>	<u>-</u>
Total purpose restrictions	<u>1,611,444</u>	<u>917,344</u>
Time restrictions:		
Owned life insurance	234,487	215,886
Endowment funds	<u>1,673,941</u>	<u>1,673,941</u>
Total time restrictions	<u>1,908,428</u>	<u>1,889,827</u>
Total net assets with donor restrictions	<u>7,497,186</u>	<u>8,753,599</u>
Total net assets	<u>\$ 27,134,885</u>	<u>\$ 21,745,625</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 2021 and 2020, with an additional 2% available as a matching contribution. The Organization made contributions of \$199,448 and \$188,224 to the plan in 2021 and 2020, respectively.

(14) Community investment grants

Community investment grants, other than donor designations, are recorded as an expense on the statements of functional expenses when they are approved by the Board of Directors. The Board of Directors approved community investment grants totaling \$3,194,886 and \$3,550,964 during the years ended June 30, 2021, and 2020, respectively. Community investment grants are generally paid to agencies in the year following approval.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2021 and 2020

(15) Infectious disease pandemic

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.

OTHER FINANCIAL INFORMATION

UNITED WAY OF GREATER CHATTANOOGA
Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

<u>CFDA Number</u>	<u>Name of Program</u>	<u>Contracting Agency</u>	<u>Receivable Balance July 1, 2020</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable Balance June 30, 2021</u>
FEDERAL AWARDS						
93.558	Pass-through from the State of Tennessee, Department of Human Services - Temporary Assistance for Needy Families	US Dept of Health and Human Services	\$ -	\$ 388,550	\$ 544,582	\$ 156,032
94.021	Pass-through from the State of Tennessee, Volunteer Tennessee - Volunteer Generation Fund	Corporation for National and Community Service	-	20,653	20,653	-
21.019	Pass-through from the State of Tennessee, Department of Human Services - Coronavirus Relief Fund	US Department of the Treasury	-	<u>733,750</u>	<u>733,750</u>	-
Total Federal Awards			<u>\$ -</u>	<u>\$ 1,142,953</u>	<u>\$ 1,298,985</u>	<u>\$ 156,032</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

(1) Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes federal award activity of United Way of Greater Chattanooga for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

(2) Summary of significant accounting policies for federal expenditures

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. The expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance.

(3) Indirect cost rate

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

(4) Passed through to subrecipients

There were no awards passed through to subrecipients.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors of
United Way of Greater Chattanooga

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Greater Chattanooga (the "Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

L B M C, P C

Chattanooga, Tennessee
November 12, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors of
United Way of Greater Chattanooga

Report on Compliance for Each Major Federal Program

We have audited United Way of Greater Chattanooga's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

L B M C, P C

Chattanooga, Tennessee
November 12, 2021

UNITED WAY OF GREATER CHATTANOOGA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None Reported
Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? _____ Yes X No
Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? _____ Yes X No

Identification of Major Programs:

CFDA Number - 21.019 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee _____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

UNITED WAY OF GREATER CHATTANOOGA

Summary Schedule of Prior Audit Findings

Year ended June 30, 2021

There were no findings or questioned costs relative to federal awards reported in the financial statement audit of United Way of Greater Chattanooga as of and for the year ended June 30, 2020.