

United Way of Greater Chattanooga

Financial Statements
Years ended June 30, 2025 and 2024

with
Independent Auditors' Report

United Way of Greater Chattanooga

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United Way of Greater Chattanooga

Board of Directors and Executive Staff

June 30, 2025

Board of Directors

Ken Jones – Board Chair

Jim Catanzaro, Jr.

Jay Dale

Angela Garcia

Katie Harbison

Baron Herdelin-Doherty

Paulo Hutson Solórzano

DeJuan Jordan

Bryan Kelly

Mike McKee

Dalya Qualls White

Tom Rice

Bill Rush

Katy Spurlock

Ben Staples

Edna Varner

Kirk Walker

Executive Staff

Lesley Searce – President and Chief Executive Officer

Suzy Anthony – Vice President, Finance and Operations

Abby Garrison – Vice President, Community Investments

Terran Anderson – Vice President, Community and Corporate Engagement



Independent Auditors' Report

Board of Directors of
United Way of Greater Chattanooga
Chattanooga, Tennessee

Opinion

We have audited the accompanying financial statements of the United Way of Greater Chattanooga (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the financial statements. The other information as listed in the table of contents does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Smith and Howard

Chattanooga, Tennessee
November 3, 2025

United Way of Greater Chattanooga

Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 2,357,477	\$ 605,831
Accounts receivable	22,196	10,898
Contributions receivable, net	4,731,293	3,629,352
Other receivables	277,245	1,093,275
Prepaid expenses	46,111	64,288
Investments	22,806,654	21,428,015
Property and equipment, net	2,364,778	2,494,336
Cash surrender value of life insurance	307,309	290,779
Total assets	<u>\$ 32,913,063</u>	<u>\$ 29,616,774</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1,086,932	\$ 483,750
Community investments and designations payable	3,663,862	3,979,490
Refundable advances	1,624,174	-
Accrued employee benefits	328,732	383,167
Total liabilities	<u>6,703,700</u>	<u>4,846,407</u>
Net Assets		
Without donor restrictions	17,996,411	18,248,319
With donor restrictions	8,212,952	6,522,048
Total net assets	<u>26,209,363</u>	<u>24,770,367</u>
 Total liabilities and net assets	 <u>\$ 32,913,063</u>	 <u>\$ 29,616,774</u>

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga
Statement of Activities and Changes in Net Assets
Year ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Gross campaign contributions	\$ -	\$ 6,390,093	\$ 6,390,093
Less, provision for uncollectible pledges net of recoveries	-	(670,101)	(670,101)
Less, donor designations	-	(375,130)	(375,130)
	<hr/>	<hr/>	<hr/>
Campaign contributions, net	-	5,344,862	5,344,862
Government and private grants	-	4,271,258	4,271,258
Investment return	2,059,434	47,221	2,106,655
Fee for service income	768,849	-	768,849
Special events	675,217	-	675,217
Other income	173,036	-	173,036
Net assets released from restrictions	7,972,437	(7,972,437)	-
Total public support, revenues and gains	<hr/> <u>11,648,973</u>	<hr/> <u>1,690,904</u>	<hr/> <u>13,339,877</u>
Program Services			
United for working families	316,703	-	316,703
211 Center	2,335,901	-	2,335,901
Community impact partnerships	164,286	-	164,286
Tutoring	1,711,921	-	1,711,921
Other programs	931,253	-	931,253
Community investments	3,864,437	-	3,864,437
Total program services	<hr/> <u>9,324,501</u>	<hr/> <u>-</u>	<hr/> <u>9,324,501</u>
Supporting Services			
Fundraising	1,503,507	-	1,503,507
Management and general	1,072,873	-	1,072,873
Total supporting services	<hr/> <u>2,576,380</u>	<hr/> <u>-</u>	<hr/> <u>2,576,380</u>
Total expenses	<hr/> <u>11,900,881</u>	<hr/> <u>-</u>	<hr/> <u>11,900,881</u>
Increase (decrease) in net assets	(251,908)	1,690,904	1,438,996
Net Assets, beginning of year	<hr/> <u>18,248,319</u>	<hr/> <u>6,522,048</u>	<hr/> <u>24,770,367</u>
Net Assets, end of year	<hr/> <u>\$ 17,996,411</u>	<hr/> <u>\$ 8,212,952</u>	<hr/> <u>\$ 26,209,363</u>

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga
Statement of Activities and Changes in Net Assets
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues and Gains:			
Gross campaign contributions	\$ -	\$ 6,379,982	\$ 6,379,982
Less, provision for uncollectible pledges net of recoveries	-	(102,326)	(102,326)
Less, donor designations	-	(556,924)	(556,924)
	<u>-</u>	<u>-</u>	<u>-</u>
Campaign contributions, net	-	5,720,732	5,720,732
Government and private grants	-	3,173,118	3,173,118
Investment return	911,823	45,402	957,225
Fee for service income	736,484	-	736,484
Special events	494,784	-	494,784
Other income	319,500	-	319,500
Net assets released from restrictions	9,127,813	(9,127,813)	-
Total public support, revenues and gains	<u>11,590,404</u>	<u>(188,561)</u>	<u>11,401,843</u>
Program Services			
United for working families	99,847	-	99,847
211 Center	1,803,974	-	1,803,974
Community impact partnerships	226,965	-	226,965
Tutoring	1,557,369	-	1,557,369
Other programs	904,658	-	904,658
Community investments	4,249,734	-	4,249,734
Total program services	<u>8,842,547</u>	<u>-</u>	<u>8,842,547</u>
Supporting Services			
Fundraising	1,719,680	-	1,719,680
Management and general	1,193,079	-	1,193,079
Total supporting services	<u>2,912,759</u>	<u>-</u>	<u>2,912,759</u>
Total expenses	<u>11,755,306</u>	<u>-</u>	<u>11,755,306</u>
Increase (decrease) in net assets	(164,902)	(188,561)	(353,463)
Net Assets, beginning of year	<u>18,413,221</u>	<u>6,710,609</u>	<u>25,123,830</u>
Net Assets, end of year	<u>\$ 18,248,319</u>	<u>\$ 6,522,048</u>	<u>\$ 24,770,367</u>

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga
Statement of Functional Expenses
Year ended June 30, 2025

	Program Services						Supporting Services		Total	
	United For Working Families	211 Center	Community Impact Partnerships	Tutoring	Other Programs	Community Investments	Total Program Services	Fundraising		Management and General
Salaries and benefits	\$ 167,782	\$ 1,214,316	\$ 115,465	\$ 19,086	\$ 598,121	\$ -	\$ 2,114,770	\$ 1,030,814	\$ 947,234	\$ 4,092,818
Meetings and events	40,490	2,151	2,305	65	99,569	307	144,887	148,296	9,946	303,129
Building and occupancy	-	-	-	-	108	-	108	-	143,983	144,091
Consultants and contractors	82,650	-	16,302	1,621,041	63,842	-	1,783,835	5,547	-	1,789,382
Memberships and dues	3,169	41,560	3,490	519	15,141	-	63,879	26,375	21,420	111,674
Professional fees	-	297	-	-	13,845	10,000	24,142	13,995	29,395	67,532
Communications and marketing	142	533	-	769	255	-	1,699	31,865	1,626	35,190
Staff development and training	257	1,968	3,937	-	4,979	-	11,141	10,505	13,417	35,063
Materials equipment and technology	546	78,972	12,419	68,531	27,354	-	187,822	139,023	93,305	420,150
Community investment grants	-	-	-	-	-	3,479,000	3,479,000	-	-	3,479,000
Designations to community agencies	-	-	-	-	-	375,130	375,130	-	-	375,130
Community impact projects	10,000	-	1,200	-	18,647	-	29,847	-	-	29,847
Grants and direct funding	-	843,110	-	-	38,347	-	881,457	-	-	881,457
Total expenses before depreciation and allocation of support services	305,036	2,182,907	155,118	1,710,011	880,208	3,864,437	9,097,717	1,406,420	1,260,326	11,764,463
Depreciation	4,120	54,018	3,237	674	18,022	-	80,071	34,279	22,068	136,418
Allocation of support services	7,547	98,976	5,931	1,236	33,023	-	146,713	62,808	(209,521)	-
Total expenses	\$ 316,703	\$ 2,335,901	\$ 164,286	\$ 1,711,921	\$ 931,253	\$ 3,864,437	\$ 9,324,501	\$ 1,503,507	\$ 1,072,873	\$ 11,900,881

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga
Statement of Functional Expenses
Year ended June 30, 2024

	Program Services						Supporting Services			Total
	United For Working Families	211 Center	Community Impact Partnerships	Tutoring	Other Programs	Community Investments	Total Program Services	Fundraising	Management and General	
Salaries and benefits	\$ 65,653	\$ 790,831	\$ 190,509	\$ 218,061	\$ 577,959	\$ -	\$ 1,843,013	\$ 1,117,753	\$ 931,348	\$ 3,892,114
Meetings and events	622	1,997	2,976	2,465	30,657	-	38,717	246,193	11,589	296,499
Building and occupancy	-	-	-	-	657	-	657	-	190,076	190,733
Consultants and contractors	-	-	613	1,294,369	124,287	-	1,419,269	4,070	27,873	1,451,212
Memberships and dues	1,652	28,759	4,914	4,833	13,502	-	53,660	30,134	23,823	107,617
Professional fees	-	416	-	1,783	1,207	10,000	13,406	10,633	71,770	95,809
Communications and marketing	-	1,784	129	2,885	197	-	4,995	41,555	2,389	48,939
Staff development and training	15,384	2,889	3,531	1,974	3,221	995	27,994	10,009	12,833	50,836
Materials equipment and technology	193	76,585	8,752	11,302	4,669	-	101,501	138,012	115,428	354,941
Community investment grants	-	-	-	-	35,121	3,681,815	3,716,936	-	-	3,716,936
Designations to community agencies	-	-	-	-	-	556,924	556,924	-	-	556,924
Community impact projects	10,000	-	-	-	28,431	-	38,431	-	-	38,431
Grants and direct funding	-	785,893	-	-	30,826	-	816,719	-	-	816,719
Total expenses before depreciation and allocation of support services	93,504	1,689,154	211,424	1,537,672	850,734	4,249,734	8,632,222	1,598,359	1,387,129	11,617,710
Depreciation	2,166	39,221	5,309	6,728	18,419	-	71,843	41,441	24,312	137,596
Allocation of support services	4,177	75,599	10,232	12,969	35,505	-	138,482	79,880	(218,362)	-
Total expenses	\$ 99,847	\$ 1,803,974	\$ 226,965	\$ 1,557,369	\$ 904,658	\$ 4,249,734	\$ 8,842,547	\$ 1,719,680	\$ 1,193,079	\$ 11,755,306

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga

Statements of Cash Flows

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<i>Cash flows from operating activities</i>		
Increase (decrease) in net assets	\$ 1,438,996	\$ (353,463)
Adjustments to reconcile change in net assets to net cash provided (required) by operating activities:		
Depreciation	136,418	137,596
Provision for uncollectible pledges	670,101	102,326
Gain on investments, net	(1,725,545)	(536,711)
Loss on disposal of property and equipment	-	8,692
Accounts receivable	(11,298)	6,129
Contributions receivable	(1,772,042)	253,882
Other receivables	816,030	(236,726)
Prepaid expenses	18,177	(31,285)
Cash surrender value of life insurance	(16,530)	(28,629)
Accounts payable and accrued liabilities	603,182	189,654
Community investments and designations payable	(315,628)	(1,047,119)
Refundable advances	1,624,174	-
Accrued employee benefits	(54,435)	(42,342)
Net cash provided (required) by operating activities	<u>1,411,600</u>	<u>(1,577,996)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	5,377,923	10,119,277
Purchase of investments	(5,031,017)	(8,347,446)
Purchase of property and equipment	(6,860)	(27,130)
Net cash provided by investing activities	<u>340,046</u>	<u>1,744,701</u>
Net increase in cash	1,751,646	166,705
<i>Cash and cash equivalents, beginning of year</i>	605,831	439,126
<i>Cash and cash equivalents, end of year</i>	<u>\$ 2,357,477</u>	<u>\$ 605,831</u>

The accompanying notes are an integral part of these financial statements.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 1. Nature of Business and Significant Accounting Policies

United Way of Greater Chattanooga (the “Organization”) is a nonprofit Tennessee corporation that operates to serve the greater Chattanooga area to ensure every child and family can thrive. The Organization’s mission is to unite people and resources in building a stronger, healthier community. The Organization envisions a community where all people achieve their full human potential through education, stability, and health and well-being. Through the generous support of community partners, the Organization is driving impact in various core areas including 211 Helpline, Community Investment, Volunteerism, United for Working Families and Public Policy Advocacy. The Organization’s donors are the force behind the work of serving more neighbors in need every year and building deeper connections within the greater Chattanooga community.

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets accounting principles generally accepted in the United States of America (“GAAP”).

Financial Statement Presentation

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

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. All contributions are considered to be without donor-imposed restrictions unless specifically restricted by the donor.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions that. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

Use of Estimates

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

Reclassifications

Certain balances in the 2024 financial statements and footnotes were reclassified to conform with the 2025 financial statement presentation.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 1. Nature of Business and Significant Accounting Policies, Continued

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been met.

The Organization uses an allowance method to determine uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made.

A portion of the Organizations' revenue is derived from cost-reimbursable federal, state, and other 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.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in checking, money market accounts, and all other highly liquid investments that mature within three months of the financial statement position date.

Contributions and Accounts Receivable

The Organization reports contributions and accounts receivable, net of a discount and an allowance for uncollectible pledges, 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.

Investments

Investments are shown at their fair values in the statements of financial position. Investment return 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.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs and maintenance are charged to expense as incurred. Additions and improvements that significantly extend the lives of assets are capitalized. Upon the sale or other retirement of depreciable property, the related cost and associated accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. Depreciation is provided using the straight-line methods over the estimated useful lives of the depreciable assets.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 1. Nature of Business and Significant Accounting Policies, Continued

Community Investments and Designations Payable

Community investments and designations payable represent commitments made by the Organization for program services related to community investments, grants and initiatives. Community investments payable and program service expense are recorded when the Organization has committed to an unconditional obligation.

Refundable Advances

The Organization receives certain grants and contributions that are conditional upon the fulfillment of specific performance obligations or the incurrence of allowable expenditures. In accordance with Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, such conditional grants are not recognized as revenue until the conditions are substantially met.

Funds received in advance of meeting these conditions are recorded as refundable advances and presented as liabilities on the statement of financial position. Once the conditions are satisfied, typically through the incurrence of qualifying expenses or completion of specified activities, the liability is reduced and revenue is recognized in the statement of activities and changes in net assets.

Refundable advances consist of government grants, including reimbursable awards from the U.S. Department of Housing and Urban Development (HUD), where the Organization must first incur eligible costs before drawing down or recognizing the related revenue.

Donor Designations

Annual campaign gifts in which the Organization 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 the Organization's actual revenue under GAAP.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. In the normal course of business, the Organization is subject to examination by federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before June 30, 2022.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries and benefits, occupancy, depreciation and other shared costs. These expenses are allocated on the basis of estimates of time and effort and/or the basis of square footage occupied.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 2. Risks and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consists primarily of cash and cash equivalents, accounts, and contributions receivable. At times, cash and cash equivalent balance exceed federally insured amounts. The Organization believes it reduces risks associated with balances in excess of federally insured amounts by maintaining its cash with major financial institutions with sound financial standing. Management continually monitors receivable balances and believes that its exposure to credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonable possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Note 3. Contributions Receivable

A summary of contributions receivable as of June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Receivable within one year	\$ 4,992,476	\$ 3,741,877
Receivable in one to five years	<u>445,510</u>	<u>329,715</u>
	5,437,986	4,071,592
Present value discount	(24,732)	(16,247)
Allowance for doubtful accounts	<u>(681,961)</u>	<u>(425,993)</u>
	<u>\$ 4,731,293</u>	<u>\$ 3,629,352</u>

Pledges receivable that are due in more than one year are recorded at the present value of estimated future cash flows using a weighted average rate of approximately 4.24% and 4.36% as of June 30, 2025 and 2024, respectively.

Note 4. 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. 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, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,357,477	\$ 605,831
Accounts receivable	22,196	10,898
Contributions receivable, net	4,731,293	3,629,352
Other receivables	277,245	1,093,275
Investments	<u>22,806,654</u>	<u>21,428,015</u>
	<u>30,194,865</u>	<u>26,767,371</u>
Total financial assets		

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 4. Liquidity and Availability, Continued

	<u>2025</u>	<u>2024</u>
Adjustments:		
Less: contributions to be received after June 30 of the following year, net	(1,842,612)	(198,610)
Less: contributions receivable with donor purpose restrictions	(694,000)	(461,948)
Less: board designated endowment	(15,004,750)	(14,039,836)
Less: endowment with donor restrictions	<u>(1,673,941)</u>	<u>(1,673,941)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,979,562</u>	<u>\$ 10,393,036</u>

The Organization maintains funds designated by the Board of Directors to function as endowments, totaling \$15,004,750 and \$14,039,836 as of June 30, 2025 and 2024, respectively, which the Board of Directors could make available for general use upon amendment of the Organization's endowment policy.

Note 5. Investments

At June 30, 2025 and 2024, investments consist of common stock, mutual funds, hedge funds, and investments in privately traded limited partnerships, and are categorized as follows:

	<u>2025</u>	<u>2024</u>
Endowment	\$16,678,691	\$15,713,777
Other investments	<u>6,127,963</u>	<u>5,714,238</u>
	<u>\$22,806,654</u>	<u>\$21,428,015</u>

The following table summarizes the investment return in the statements of activities and changes in net assets for 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Net gain on investments	\$ 1,725,545	\$ 536,711
Interest and dividend income	498,996	516,973
Fees paid	<u>(117,886)</u>	<u>(96,459)</u>
	<u>\$ 2,106,655</u>	<u>\$ 957,225</u>

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

Note 6. Endowment

GAAP requires the following financial statement disclosures for the Organization:

Classification of net assets

Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and policies established by the Board of Directors.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 6. Endowment, Continued

Interpretation of Relevant Law

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as enacted in the state of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund, if any, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Organization, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has a policy of appropriating for distribution each year a maximum of 5% of its endowment fund's market value of the trailing five-year quarterly average market value of the total endowment fund.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 6. Endowment, Continued

Endowment net assets composition by type of fund as of June 30, 2025 and 2024, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2025:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>15,004,750</u>	<u>-</u>	<u>15,004,750</u>
	<u>\$15,004,750</u>	<u>\$ 1,673,941</u>	<u>\$16,678,691</u>
June 30, 2024:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>14,039,836</u>	<u>-</u>	<u>14,039,836</u>
	<u>\$14,039,836</u>	<u>\$ 1,673,941</u>	<u>\$15,713,777</u>

Changes in endowment net assets for the fiscal period ended June 30, 2025 and 2024, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Year ended June 30, 2025:			
Endowment assets, beginning of year	\$14,039,836	\$ 1,673,941	\$15,713,777
Investment return	2,106,655	-	2,106,655
Appropriation of endowment: Assets for expenditure	<u>(1,141,741)</u>	<u>-</u>	<u>(1,141,741)</u>
	<u>\$15,004,750</u>	<u>\$ 1,673,941</u>	<u>\$16,678,691</u>
Year ended June 30, 2024:			
Endowment assets, beginning of year	\$14,148,442	\$ 1,673,941	\$15,822,383
Investment return	957,225	-	957,225
Appropriation of endowment: Assets for expenditure	<u>(1,065,831)</u>	<u>-</u>	<u>(1,065,831)</u>
	<u>\$14,039,836</u>	<u>\$ 1,673,941</u>	<u>\$15,713,777</u>

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 7. 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) 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 various banks and investment firms, and several investment limited partnerships and money market accounts, and are carried at their fair market value.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 7. Assets and Liabilities Measured at Fair Value, Continued

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

	<u>2025 Fair Value</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets:				
Investments:				
Cash	\$ 121,141	\$ -	\$ -	\$ 121,141
Mutual funds	9,627,789	-	-	9,627,789
Exchange-traded products	10,173,990	-	-	10,173,990
Total investments in fair value hierarchy	<u>\$19,922,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,922,920</u>
Investments in pass-through entities:				
TSWII Offshore SPC				534,860
LMC Compass Fund, L.P.				305,247
Private equity				49,085
Pointer Offshore, Ltd.				<u>1,994,542</u>
Total investments measured at net asset value (a)				<u>2,883,734</u>
Total financial assets				<u>\$22,806,654</u>

	<u>2024 Fair Value</u>			<u>Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets:				
Investments:				
Cash	\$ 139,341	\$ -	\$ -	\$ 139,341
Fixed income	491,240	-	-	491,240
Mutual funds	7,320,580	-	-	7,320,580
Exchange-traded products	10,954,645	-	-	10,954,645
Total investments in fair value hierarchy	<u>\$18,905,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,905,806</u>
Investments in pass-through entities:				
TSWII Offshore SPC				499,150
LMC Compass Fund, L.P.				285,706
Pointer Offshore, Ltd.				<u>1,737,353</u>
Total investments measured at net asset value (a)				<u>2,522,209</u>
Total financial assets				<u>\$21,428,015</u>

(a) In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that were measured at fair value using the net asset value per share (or the equivalent) practical expedient have 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 investments at fair value presented in the statements of financial position.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 7. Assets and Liabilities Measured at Fair Value, Continued

Investments in certain entities that calculate net asset value per share (or its equivalent) are reported as follows as of June 30:

	<u>2025</u> <u>Fair Value</u>	<u>2024</u> <u>Fair Value</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice</u>
TSWII Offshore SPC	\$534,860	\$499,150	Annually	60 days
LMC Compass Fund, L.P.	\$305,247	\$285,706	Quarterly	65 days
Pointer Offshore, Ltd.	\$1,994,542	\$1,737,353	Semi-annually	60 days

Note 8. Property and Equipment

Property and equipment as of June 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 227,782	\$ 227,782
Buildings	2,799,347	2,799,347
Improvements	669,456	669,456
Computer equipment	92,890	86,032
Furniture and fixtures	<u>271,478</u>	<u>271,478</u>
	4,060,953	4,054,095
Less accumulated depreciation	<u>(1,696,175)</u>	<u>(1,559,759)</u>
	<u>\$ 2,364,778</u>	<u>\$ 2,494,336</u>

Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$136,418 and \$137,596, respectively.

Note 9. Accrued Employee Benefits

A summary of accrued employee benefits as of June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Post-retirement benefits liability	\$ 243,902	\$ 275,534
Accrued sick and vacation	70,530	93,333
Other current employee benefits	<u>14,300</u>	<u>14,300</u>
	<u>\$ 328,732</u>	<u>\$ 383,167</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 4.24% and 4.36%, and an inflation rate of 2.8% and 3.3%, as of June 30, 2025 and 2024, respectively.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 9. Accrued Employee Benefits, Continued

The following table provides a reconciliation of the changes in the post-retirement benefit liability for 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Post-retirement benefits liability, beginning of year	\$ 275,535	\$ 359,378
Service cost	711	(25,352)
Interest costs	2,540	(16,668)
Change in discount rate assumption	(8,369)	(45,694)
Change in other assumptions	(3,316)	27,652
Actuarial loss	(5,892)	(6,605)
Benefits paid	<u>(17,307)</u>	<u>(17,177)</u>
Post-retirement benefits liability, end of year	<u>\$ 243,902</u>	<u>\$ 275,534</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, 2025, is as follows:

	<u>Amount</u>
2026	\$ 23,881
2027	\$ 24,551
2028	\$ 20,100
2029	\$ 20,664
2030	\$ 21,241
2031 to 2035	\$ 84,444

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 10. Net Assets

Net assets are comprised of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Without donor restrictions:		
Without donor restrictions, undesignated	\$ 2,991,661	\$ 4,208,485
Without donor restrictions, board designated for endowment	<u>15,004,750</u>	<u>14,039,834</u>
Total net assets without donor restrictions	<u>17,996,411</u>	<u>18,248,319</u>
With donor restrictions:		
Purpose restrictions:		
United for Working Families	102,000	230,000
211 Center	562,226	773,005
Imagination Library	-	1,448
Nonprofit Support	-	19,750
Early Learning Scholarships	-	38,595
Bridge Funds	545,450	339,671
Events	24,000	-
Sustainable Cities	205,110	-
Storm Water Fee Assistance	455,000	-
Volunteer Center	181,918	18,664
Contributions to support community investment and operations of future periods	<u>4,155,998</u>	<u>3,136,195</u>
Total purpose restrictions	<u>6,231,702</u>	<u>4,557,328</u>
Time restrictions:		
Owned life insurance	307,309	290,779
Endowment funds	<u>1,673,941</u>	<u>1,673,941</u>
Total time restrictions	<u>1,981,250</u>	<u>1,964,720</u>
Total net assets with donor restrictions	<u>8,212,952</u>	<u>6,522,048</u>
Total net assets	<u>\$26,209,363</u>	<u>\$24,770,367</u>

Note 11. 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 2025 and 2024, with an additional 2% available as a matching contribution. The Organization made contributions of \$242,500 and \$235,120 to the plan in 2025 and 2024, respectively.

Note 12. 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 \$3,491,500 and \$3,681,820 during the years ended June 30, 2025, and 2024, respectively. Community investment grants are generally paid to agencies in the year following approval.

United Way of Greater Chattanooga

Notes to Financial Statements

June 30, 2025 and 2024

Note 13. Employee Retention Credit

As of June 30, 2025 and 2024, the Organization has recorded balances due from the United States government in the amount of \$277,245 and \$1,093,275 respectively, relating to refundable employee retention payroll tax credits subject to certain criteria, which is presented as other receivables on the accompanying statements of financial position. For the year ending June 30, 2025, the Organization received \$933,671 from the United States government related to the amount due for the 2020 and 2021 employee retention payroll tax credit and the associated interest. The Organization received the remaining amount due to them from the United States government in October 2025.

Note 14. Subsequent Events

The Organization has evaluated subsequent events through November 3, 2025, the date the financial statements were available to be issued.