

UNITED WAY OF GREATER CHATTANOOGA

Financial Statements and Other Financial Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

The logo for LBMC, consisting of the letters "LBMC" in white, bold, sans-serif font, centered within a solid blue rectangular background.

LBMC

UNITED WAY OF GREATER CHATTANOOGA

Table of Contents

	<u>Page</u>
Roster of Board of Directors and Executive Staff	1
Independent Auditors' Report	2 - 4
Financial Statements:	
Statements of Financial Position	5
Statements of Activities and Changes in Net Assets	6 - 7
Statements of Cash Flows	8
Statements of Functional Expenses	9 - 10
Notes to the Financial Statements	11 - 24
Other Financial Information:	
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
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>	27 - 28
Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29 - 31
Schedule of Findings and Questioned Costs	32
Summary Schedule of Prior Audit Findings	33

UNITED WAY OF GREATER CHATTANOOGA

Roster of Board of Directors and Executive Staff

June 30, 2023

Board of Directors

Edna Varner	Chair
Tom White	Board Member
Russ Blakely	Board Member
Amber J. Cambron	Board Member
Jim Catanzaro, Jr.	Board Member
Jay Dale	Board Member
Patti Dungan	Board Member
Angela Garcia	Board Member
Tom Glenn	Board Member
Paulo Hutson	Board Member
Amanda Jelks	Board Member
Dionne Jenkins	Board Member
Althea Jones	Board Member
Ken Jones	Board Member
DeJuan Jordan	Board Member
Patricia Russell	Board Member
Mike St. Charles	Board Member
Kenneth Smith	Board Member

Executive Staff

Lesley Scarce	President and Chief Executive Officer
Suzy Anthony	VP of Finance and Operations



INDEPENDENT AUDITORS' REPORT

The Board of Directors of
United Way of Greater Chattanooga

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Greater Chattanooga as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit 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. 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 United Way of Greater Chattanooga 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 United Way of Greater Chattanooga's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards and *Government Auditing Standards* 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 United Way of Greater Chattanooga'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 United Way of Greater Chattanooga'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.

Supplementary Information

Our audit was 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, as required by Title 2 *U.S. Code of Federal Regulations 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 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

The roster of board of directors and executive staff on Page 1, as required by the Tennessee Audit Manual issued by the State of Tennessee Comptroller of the Treasury, is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of United Way of Greater Chattanooga'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 United Way of Greater Chattanooga'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 United Way of Greater Chattanooga's internal control over financial reporting and compliance.

LBMC, PC

Chattanooga, Tennessee
November 7, 2023

UNITED WAY OF GREATER CHATTANOOGA

Statements of Financial Position

June 30, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 439,126	\$ 1,142,751
Accounts receivable	17,027	60,270
Contributions receivable, net	3,985,560	3,190,169
Other receivables	856,549	-
Prepaid expenses	33,003	58,799
Investments	22,663,136	20,953,891
Cash surrender value of life insurance	262,150	250,895
Property and equipment, net	<u>2,613,493</u>	<u>2,721,453</u>
Total assets	\$ <u>30,870,044</u>	\$ <u>28,378,228</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued liabilities	\$ 294,096	\$ 557,973
Community investments and designations payable	5,026,609	4,854,102
Accrued employee benefits	<u>425,509</u>	<u>575,276</u>
Total liabilities	<u>5,746,214</u>	<u>5,987,351</u>
Net assets:		
Without donor restrictions	18,142,583	15,593,899
With donor restrictions	<u>6,981,247</u>	<u>6,796,978</u>
Total net assets	<u>25,123,830</u>	<u>22,390,877</u>
Total liabilities and net assets	\$ <u>30,870,044</u>	\$ <u>28,378,228</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Activities and Changes in Net Assets

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results	\$ -	\$ 8,481,471	\$ 8,481,471
Less, provision for uncollectible contributions, net of recoveries	-	(440,549)	(440,549)
Less, donor designations	-	(551,747)	(551,747)
Net campaign revenue	-	7,489,175	7,489,175
Grants awarded	-	3,195,667	3,195,667
Investment return	2,257,096	37,973	2,295,069
Fee for service income	224,903	-	224,903
Special event income	-	270,638	270,638
Other income	972,520	-	972,520
Net assets released from restrictions	<u>10,809,184</u>	<u>(10,809,184)</u>	-
Total public support and revenue	<u>14,263,703</u>	<u>184,269</u>	<u>14,447,972</u>
Program services:			
211 Center	2,640,479	-	2,640,479
Community impact partnerships	99,587	-	99,587
Tutoring	345,661	-	345,661
Data	191,883	-	191,883
Nonprofit support	262,843	-	262,843
Other	253,161	-	253,161
Community investments	<u>4,993,315</u>	-	<u>4,993,315</u>
Total program services	8,786,929	-	8,786,929
Supporting services:			
Fundraising	1,900,883	-	1,900,883
Management and general	<u>1,027,207</u>	-	<u>1,027,207</u>
Total supporting services	<u>2,928,090</u>	-	<u>2,928,090</u>
Total expenses	<u>11,715,019</u>	-	<u>11,715,019</u>
Increase in net assets	2,548,684	184,269	2,732,953
Net assets at beginning of year	<u>15,593,899</u>	<u>6,796,978</u>	<u>22,390,877</u>
Net assets at end of year	<u>\$ 18,142,583</u>	<u>\$ 6,981,247</u>	<u>\$ 25,123,830</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Activities and Changes in Net Assets

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Gross campaign results	\$ -	\$ 8,277,815	\$ 8,277,815
Less, provision for uncollectible contributions, net of recoveries	-	(271,760)	(271,760)
Less, donor designations	-	(540,435)	(540,435)
Net campaign revenue	-	7,465,620	7,465,620
Grants awarded	-	516,511	516,511
Investment return	(3,168,599)	(58,402)	(3,227,001)
Fee for service income	83,548	-	83,548
Special event income	-	681,821	681,821
Other income	643,419	-	643,419
Net assets released from restrictions	<u>9,305,758</u>	<u>(9,305,758)</u>	-
Total public support and revenue	<u>6,864,126</u>	<u>(700,208)</u>	<u>6,163,918</u>
Program services:			
211 Center	2,266,971	-	2,266,971
Community impact partnerships	123,815	-	123,815
Data	82,470	-	82,470
Nonprofit support	441,576	-	441,576
Other	360,346	-	360,346
Community investments	<u>4,966,977</u>	-	<u>4,966,977</u>
Total program services	8,242,155	-	8,242,155
Supporting services:			
Fundraising	1,533,617	-	1,533,617
Management and general	<u>1,132,154</u>	-	<u>1,132,154</u>
Total supporting services	<u>2,665,771</u>	-	<u>2,665,771</u>
Total expense	<u>10,907,926</u>	-	<u>10,907,926</u>
Decrease in net assets	(4,043,800)	(700,208)	(4,744,008)
Net assets at beginning of year	<u>19,637,699</u>	<u>7,497,186</u>	<u>27,134,885</u>
Net assets at end of year	<u>\$ 15,593,899</u>	<u>\$ 6,796,978</u>	<u>\$ 22,390,877</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>2,732,953</u>	\$ <u>(4,744,008)</u>
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	140,534	138,229
Provision for uncollectible contributions	(440,549)	(271,760)
Gain (loss) on investments, net	(1,868,836)	3,323,732
Forgiveness of SBA loan	-	(620,400)
(Increase) decrease in operating assets:		
Accounts receivable	43,243	(25,326)
Contributions receivable	(354,842)	630,746
Prepaid expenses	25,796	21,457
Other receivables	(856,549)	-
Cash surrender value of life insurance	(11,255)	(16,408)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(263,877)	186,966
Community investments and designations payable	172,507	907,811
Accrued employee benefits	<u>(149,767)</u>	<u>(110,727)</u>
Total adjustments	<u>(3,563,595)</u>	<u>4,164,320</u>
Net cash used by operating activities	<u>(830,642)</u>	<u>(579,688)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	5,513,988	19,527,491
Purchase of investments	(5,354,400)	(19,606,783)
Purchase of property and equipment	<u>(32,571)</u>	<u>(42,953)</u>
Net cash provided (used) by investing activities	<u>127,017</u>	<u>(122,245)</u>
Decrease in cash and cash equivalents	(703,625)	(701,933)
Cash and cash equivalents at beginning of period	<u>1,142,751</u>	<u>1,844,684</u>
Cash and cash equivalents at end of period	\$ <u>439,126</u>	\$ <u>1,142,751</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services						Supporting Services				
	211 Center	Community Impact Partnerships	Tutoring	Data	Nonprofit Support	Other	Community Investments	Total Program Services	Fundraising	Management and General	Total
Building/occupancy	\$ -	\$ -	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ 120	\$ -	\$ 201,600	\$ 201,720
Communications/marketing	604	-	6,465	-	-	-	-	7,069	26,785	2,642	36,496
Consultants/contractors	-	15,000	36,560	4,231	7,143	36,085	-	99,019	21,937	72,975	193,931
Income taxes	-	-	-	-	-	-	-	-	-	312	312
Materials, equipment & technology	29,433	11,078	44,703	97	9,085	2,142	-	96,538	98,456	64,383	259,377
Meetings and events	2,314	1,652	467	160	26,071	1,532	-	32,196	436,084	13,344	481,624
Memberships and dues	767	250	-	-	260	250	-	1,527	1,667	107,155	110,349
Professional fees	10,702	-	3,455	5,000	247	-	10,000	29,404	16,380	60,727	106,511
Salaries and benefits	800,282	61,596	122,504	162,384	113,023	105,910	-	1,365,699	1,111,432	757,848	3,234,979
Staff development/training	10,595	1,078	4,612	771	1,773	4,863	-	23,692	14,406	40,245	78,343
Community impact projects	-	-	105,311	-	75,000	59,699	-	240,010	-	-	240,010
Designations to community agencies	-	-	-	-	-	-	551,747	551,747	-	-	551,747
Grants and direct funding	1,134,924	-	7	-	-	17,255	-	1,152,186	-	-	1,152,186
Community investment grants	<u>495,332</u>	-	-	-	-	-	<u>4,431,568</u>	<u>4,926,900</u>	-	-	<u>4,926,900</u>
	2,484,953	90,654	324,084	172,643	232,722	227,736	4,993,315	8,526,107	1,727,147	1,321,231	11,574,485
Depreciation	40,831	2,345	5,665	5,051	7,908	6,675	-	68,475	45,612	26,447	140,534
Allocation of support services	<u>114,695</u>	<u>6,588</u>	<u>15,912</u>	<u>14,189</u>	<u>22,213</u>	<u>18,750</u>	-	<u>192,347</u>	<u>128,124</u>	<u>(320,471)</u>	-
Total	<u>\$ 2,640,479</u>	<u>\$ 99,587</u>	<u>\$ 345,661</u>	<u>\$ 191,883</u>	<u>\$ 262,843</u>	<u>\$ 253,161</u>	<u>\$ 4,993,315</u>	<u>\$ 8,786,929</u>	<u>\$ 1,900,883</u>	<u>\$ 1,027,207</u>	<u>\$11,715,019</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Statement of Functional Expenses

Year ended June 30, 2022

	Program Services						Supporting Services			
	211 Center	Community Impact Partnerships	Data	Nonprofit Support	Other	Community Investments	Total Program Services	Fundraising	Management and General	Total
Building/occupancy	\$ -	\$ -	\$ -	\$ 2,138	\$ -	\$ -	\$ 2,138	\$ 13	\$ 188,200	\$ 190,351
Communications/marketing	1,053	-	-	207	-	-	1,260	29,523	2,178	32,961
Consultants/contractors	-	-	13,252	2,000	91,475	-	106,727	8,963	-	115,690
Income taxes	-	-	-	-	-	-	-	-	959	959
Materials, equipment & technology	31,868	9,500	250	11,085	908	500	54,111	94,106	104,969	253,186
Meetings and events	3,085	2,879	66	38,325	7,526	361	52,242	202,138	9,998	264,378
Memberships and dues	669	250	-	299	273	-	1,491	699	144,659	146,849
Professional fees	824	-	-	627	-	10,000	11,451	15,161	58,958	85,570
Salaries and benefits	785,016	93,742	57,831	341,409	170,731	-	1,448,729	1,023,413	859,432	3,331,574
Staff development/training	3,390	673	260	761	1,626	-	6,710	3,902	31,848	42,460
Community impact projects	-	-	-	-	35,055	-	35,055	-	-	35,055
Designations to community agencies	-	-	-	-	-	540,434	540,434	-	-	540,434
Grants and direct funding	505,612	-	748	-	25,357	-	531,717	-	-	531,717
Community investment grants	<u>782,831</u>	-	-	-	-	<u>4,415,682</u>	<u>5,198,513</u>	-	-	<u>5,198,513</u>
	2,114,348	107,044	72,407	396,851	332,951	4,966,977	7,990,578	1,377,918	1,401,201	10,769,697
Depreciation	40,468	4,447	2,668	11,859	7,263	-	66,705	41,284	30,240	138,229
Allocation of support services	<u>112,155</u>	<u>12,324</u>	<u>7,395</u>	<u>32,866</u>	<u>20,132</u>	-	<u>184,872</u>	<u>114,415</u>	<u>(299,287)</u>	-
Total	\$ <u>2,266,971</u>	\$ <u>123,815</u>	\$ <u>82,470</u>	\$ <u>441,576</u>	\$ <u>360,346</u>	\$ <u>4,966,977</u>	\$ <u>8,242,155</u>	\$ <u>1,533,617</u>	\$ <u>1,132,154</u>	\$ <u>10,907,926</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022

(d) 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.

(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, 2023 and 2022, 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, 2023 and 2022

(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 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 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, 2023 and 2022

(l) Reclassifications

Certain reclassifications have been made to the 2022 financial statements in order for them to conform to the 2023 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(m) Events occurring after reporting date

The Organization has evaluated events and transactions that occurred between June 30, 2023, and November 7, 2023, 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, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Receivable within one year	\$ 3,859,266	\$ 3,538,369
Receivable in one to five years	459,105	75,000
Receivable in five to seven years	<u>191,715</u>	<u>-</u>
	4,510,086	3,613,369
Present value discount	(33,881)	(2,648)
Allowance for doubtful accounts	<u>(490,645)</u>	<u>(420,552)</u>
	<u>\$ 3,985,560</u>	<u>\$ 3,190,169</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 3.75% and 2.50% as of June 30, 2023 and 2022, respectively.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 439,126	\$ 1,142,751
Accounts receivable	17,027	60,270
Contributions receivable, net	3,985,560	3,190,169
Other receivables	856,549	-
Investments	<u>22,663,136</u>	<u>20,953,891</u>
Total financial assets	27,961,398	25,347,081
 Adjustments:		
Less: contributions to be received after June 30 of the following year, net	(389,029)	(62,352)
Less: contributions receivable with donor purpose restrictions	(284,996)	(60,657)
Less: board designated endowment	(14,148,442)	(12,970,451)
Less: endowment with donor restrictions	<u>(1,673,941)</u>	<u>(1,673,941)</u>
	<u>\$ 11,464,990</u>	<u>\$ 10,579,680</u>

The Organization maintains funds designated by the Board of Directors to function as endowments, totaling \$14,148,442 and \$12,970,451 as of June 30, 2023 and 2022, respectively, which the Board of Directors could make available for general use upon amendment of the Organization's endowment policy. The Organization also has a \$500,000 line of credit with a bank available for operating needs (Note 11).

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

(6) Investments

At June 30, 2023 and 2022, investments consist of common stock, mutual funds, hedge funds, and investments in privately traded limited partnerships, and are categorized as follows:

	<u>2023</u>	<u>2022</u>
Endowment	\$ 15,822,383	\$ 14,644,392
Other investments	<u>6,840,753</u>	<u>6,309,499</u>
	<u>\$ 22,663,136</u>	<u>\$ 20,953,891</u>

The following table summarizes the investment return in the statements of activities and changes in net assets for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net gain (loss) on investments	\$ 1,868,836	\$ (3,323,732)
Interest and dividend income	538,154	194,803
Fees paid	<u>(111,921)</u>	<u>(98,072)</u>
	<u>\$ 2,295,069</u>	<u>\$ (3,227,001)</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 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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

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

Endowment spending for funds designated by the Board of Directors to function as endowments will be an amount up to 5% of the trailing five-year quarterly average market value of the total Board directed endowment fund.

Endowment net assets composition by type of fund as of June 30, 2023 and 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2023:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>14,148,442</u>	<u>-</u>	<u>14,148,442</u>
	<u>\$ 14,148,442</u>	<u>\$ 1,673,941</u>	<u>\$ 15,822,383</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2022:			
Donor restricted endowment funds	\$ -	\$ 1,673,941	\$ 1,673,941
Board designated endowment funds	<u>12,970,451</u>	<u>-</u>	<u>12,970,451</u>
	<u>\$ 12,970,451</u>	<u>\$ 1,673,941</u>	<u>\$ 14,644,392</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

Changes in Endowment Net Assets for the fiscal period ended June 30, 2023 and 2022, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Year ended June 30, 2023:			
Endowment assets, beginning of year	\$ 12,970,451	\$ 1,673,941	\$ 14,644,392
Investment return	2,252,865	-	2,252,865
Appropriation of endowment:			
Assets for expenditure	<u>(1,074,874)</u>	<u>-</u>	<u>(1,074,874)</u>
	<u>\$ 14,148,442</u>	<u>\$ 1,673,941</u>	<u>\$ 15,822,383</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Year ended June 30, 2022:			
Endowment assets, beginning of year	\$ 17,105,208	\$ 1,673,941	\$ 18,779,149
Investment return	(2,984,757)	-	(2,984,757)
Appropriation of endowment:			
Assets for expenditure	<u>(1,150,000)</u>	<u>-</u>	<u>(1,150,000)</u>
	<u>\$ 12,970,451</u>	<u>\$ 1,673,941</u>	<u>\$ 14,644,392</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.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

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

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

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

Investments are held in agency accounts at various banks and investment firms, 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, 2023 and 2022:

**Fair Value Measurements as of
June 30, 2023 Using the Following Inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 19,930,329	\$ -	\$ -	\$ 19,930,329
Hedge funds	-	-	724,819	724,819
Limited partnerships	-	-	<u>2,007,988</u>	<u>2,007,988</u>
Total	\$ <u>19,930,329</u>	\$ <u>-</u>	\$ <u>2,732,807</u>	\$ <u>22,663,136</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

**Fair Value Measurements as of
June 30, 2022 Using the Following Inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 1,620,484	\$ -	\$ -	\$ 1,620,484
Mutual funds	15,329,745	-	-	15,329,745
Hedge funds	-	-	743,611	743,611
Limited partnerships	-	-	<u>3,260,051</u>	<u>3,260,051</u>
Investments at fair value	<u>\$ 16,950,229</u>	<u>\$ -</u>	<u>\$ 4,003,662</u>	<u>\$ 20,953,891</u>

(9) Property and equipment

Property and equipment at June 30, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 227,782	\$ 227,782
Buildings	2,799,347	2,799,347
Improvements	647,688	622,083
Computer equipment	185,527	178,558
Furniture and fixtures	<u>374,510</u>	<u>374,510</u>
	4,234,854	4,202,280
Accumulated depreciation	<u>(1,621,361)</u>	<u>(1,480,827)</u>
Property and equipment, net	<u>\$ 2,613,493</u>	<u>\$ 2,721,453</u>

Depreciation expense was \$140,534 and \$138,229 for the years ended June 30, 2023 and 2022, respectively.

(10) Accrued employee benefits

A summary of accrued employee benefits as of June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Post-retirement benefits liability	\$ 359,378	\$ 516,374
Accrued sick and vacation	53,554	45,319
Other current employee benefits	<u>12,577</u>	<u>13,583</u>
	<u>\$ 425,509</u>	<u>\$ 575,276</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

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 3.74% and 2.98%, and an inflation rate of 5.30% and 5.90%, as of June 30, 2023 and 2022, respectively.

The following table provides a reconciliation of the changes in the post-retirement benefit liability for 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Post-retirement benefits liability, beginning of period	\$ 516,374	\$ 579,442
Service cost	(18,497)	(2,539)
Interest costs	(29,928)	(97,723)
Change in discount rate assumption	(18,038)	119,668
Change in other assumptions	(62,411)	(120,550)
Actuarial gain (loss)	(10,582)	59,044
Benefits paid	<u>(17,540)</u>	<u>(20,968)</u>
Post-retirement benefits liability, end of period	<u>\$ 359,378</u>	<u>\$ 516,374</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, 2023, is as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 23,782
2025	25,041
2026	21,488
2027	22,628
2028	23,826
2029 to 2033	132,579

(11) Line of credit and SBA loan payable

The Organization has an unsecured line of credit available with First Horizon Bank in the amount of \$500,000. The line of credit bears interest at a variable interest rate based on the bank's base commercial rate (8.25% at June 30, 2023). Monthly payments of interest are required under the line of credit. The line of credit matures on November 30, 2023. There was no balance outstanding under the line at June 30, 2023 and 2022.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

During 2020, the Organization entered into a Paycheck Protection Program loan. The use of funds is restricted by the Small Business Association (SBA). The balance of the loan was \$620,400 at June 30, 2021. The loan was forgiven in September 2021, and the forgiveness is included in other income for the year ended June 30, 2022.

(12) Net assets

Net assets as of June 30, 2023 and 2022, are comprised of the following:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Without donor restrictions, undesignated	\$ 3,994,141	\$ 2,623,448
Without donor restrictions, board designated for endowment	<u>14,148,442</u>	<u>12,970,451</u>
Total net assets without donor restrictions	<u>18,142,583</u>	<u>15,593,899</u>
With donor restrictions:		
Time and purpose restrictions:		
Time and purpose restrictions - expendable within twelve months following fiscal year-end:		
Fundraising	84,956	107,188
Marketing	30,000	463,000
211 Center	171,347	295,736
Imagination Library	16,707	10,405
Nonprofit Support	7,604	-
Affinity Groups	-	32,225
Volunteer Center	41,812	25
Contributions to support community investment and operations of future periods	<u>3,069,262</u>	<u>2,971,479</u>
	<u>3,421,688</u>	<u>3,880,058</u>
Time and purpose restrictions - expendable between thirteen and twenty-four months following fiscal year-end:		
Nonprofit Support	-	5,000
211 Center	125,000	-
Contributions to support community investment and operations of future periods	<u>510,467</u>	<u>22,352</u>
	<u>635,467</u>	<u>27,352</u>

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Financial Statements

June 30, 2023 and 2022

Time and purpose restrictions - expendable after twenty-five months following fiscal year-end:		
Contributions to support community investment and operations of future periods	<u>107,133</u>	<u>35,000</u>
	<u>107,133</u>	<u>35,000</u>
Total time and purpose restrictions	<u>4,164,288</u>	<u>3,942,410</u>
Purpose restrictions:		
211 Center	773,139	760,690
Early childhood	75,170	-
Nonprofit Support	3,000	128,424
Contributions to support community investment and operations of future periods	<u>29,559</u>	<u>40,618</u>
Total purpose restrictions	<u>880,868</u>	<u>929,732</u>
Time restrictions:		
Owned life insurance	262,150	250,895
Endowment funds	<u>1,673,941</u>	<u>1,673,941</u>
Total time restrictions	<u>1,936,091</u>	<u>1,924,836</u>
Total net assets with donor restrictions	<u>6,981,247</u>	<u>6,796,978</u>
Total net assets	<u>\$ 25,123,830</u>	<u>\$ 22,390,877</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 2023 and 2022, with an additional 2% available as a matching contribution. The Organization made contributions of \$197,183 and \$176,911 to the plan in 2023 and 2022, 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 \$4,431,568 and \$4,415,682 during the years ended June 30, 2023, and 2022, 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, 2023 and 2022

(15) Employee retention credit

Under the provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Organization was eligible for refundable employee retention payroll tax credits subject to certain criteria. During the year ended June 30, 2023, the Organization recognized other income of \$856,549 for employee retention payroll tax credits within the accompanying statements of activities. As of June 30, 2023, the Organization has a receivable balance from the United States government of \$856,549 relating to these credits, which is presented as other receivables on the accompanying statements of financial position.

OTHER FINANCIAL INFORMATION

UNITED WAY OF GREATER CHATTANOOGA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

<u>Name of Program</u>	<u>Federal Assistance Listing Number</u>	<u>Additional Award Identification</u>	<u>Pass-Through Grantor</u>	<u>Grant ID No.</u>	<u>Passed Through to Subrecipients</u>	<u>Receivable Balance July 1, 2022</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Receivable Balance June 30, 2023</u>
477 Cluster-Cluster:									
Department of Health and Human Services:									
Temporary Assistance for Needy Families (477 Cluster)	93.558		State of Tennessee Department of Health and Human Services	Edison 68172	\$ <u>495,332</u>	\$ <u>312,527</u>	\$ <u>1,012,158</u>	\$ <u>699,631</u>	\$ <u> </u>
Other Programs:									
Department of Education:									
Education Stabilization Fund	84.425U	COVID-19	State of Tennessee	S425U210047 - 21A	-	-	-	247,530	247,530
Department of Housing and Urban Development:									
Emergency Solutions Grant Program	14.231		Chattanooga Regional Homeless Coalition	Edison 74001	-	-	66,838	101,099	34,261
Department of the Treasury:									
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19	City of Chattanooga TN	S20234	<u> </u>	<u> </u>	<u> </u>	<u>10,133</u>	<u>10,133</u>
Total Other Programs					<u> </u>	<u> </u>	<u>66,838</u>	<u>358,762</u>	<u>291,924</u>
Total Federal Awards					\$ <u>495,332</u>	\$ <u>312,527</u>	\$ <u>1,078,996</u>	\$ <u>1,058,393</u>	\$ <u>291,924</u>

See accompanying notes to the financial statements.

UNITED WAY OF GREATER CHATTANOOGA

Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

(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, 2023. 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.

For purposes of the Schedule, federal awards includes all grants, contracts and similar agreements entered into directly between the Organization and agencies and departments of the federal government and all subawards to the Organization by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

(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.

The Organization did not expend any federal awards during 2023 in the form of non-cash assistance. Funds passed through to subrecipient agencies during the year ended June 30, 2023, are reported on the Schedule. The expenditure threshold for classification as a Type A program is \$750,000.

(3) Indirect cost rate

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

See accompanying notes to the financial statements.



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, 2023, 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 7, 2023.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 financial statements. 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 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.

LBMC, PC

Chattanooga, Tennessee
November 7, 2023



**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 The Major Federal Program

Opinion on The Major Federal Program

We have audited United Way of Greater Chattanooga's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 the major federal program for the year ended June 30, 2023.

Basis for Opinion on The Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

LBMC, PC

Chattanooga, Tennessee
November 7, 2023

UNITED WAY OF GREATER CHATTANOOGA

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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 each major program: Unmodified

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

Identification of Major Programs:

Federal Assistance Listing - 93.558 Temporary Assistance for Needy Families

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

Auditee qualified as low risk auditee X Yes _____ 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, 2023

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, 2022.