

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS

Financial Statements

March 31, 2022 and 2021

DRAFT

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Financial Statements
March 31, 2022 and 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8

DRAFT

Independent Auditors' Report

To the Board of Directors
United Way of Greater Knoxville, Inc. and
Its Operating Divisions
Knoxville, Tennessee

Opinion

We have audited the accompanying financial statements of United Way of Greater Knoxville, Inc. and Its Operating Divisions (collectively, the "Organization"), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 March 31, 2022, and the changes in net assets and its cash flows for the year 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. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Organization'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 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, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's March 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Knoxville, Tennessee
September 13, 2022

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Financial Position
March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,252,129	\$ 26,131,646
Restricted cash (Note 8)	364,521	322,672
Certificates of deposit	251,573	750,718
Pledges receivable (net of allowance for uncollectible pledges of \$1,195,979 and \$1,223,218 for 2022 and 2021, respectively)	3,601,812	6,155,735
Grants receivable	324,195	-
Prepaid expenses and other current assets	112,965	108,958
Other receivables	<u>25,174</u>	<u>123,318</u>
Total current assets	<u>15,932,369</u>	<u>33,593,047</u>
Property and equipment, net (Note 4)	2,675,936	2,472,336
Beneficial interest in assets held by others - live united fund (Note 11 & 12)	17,134,385	-
Beneficial interest in assets held by others - endowment (Note 11 & 12)	<u>8,446,074</u>	<u>8,053,830</u>
Total assets	<u>\$ 44,188,764</u>	<u>\$ 44,119,213</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 336,526	\$ 121,673
Notes payable, due within one year	-	75,571
Grants and allocations payable	4,258,886	1,222,285
Deferred revenue	5,765	-
Amounts designated by donors to specific organizations (Note 2)	<u>1,755,158</u>	<u>877,232</u>
Total current liabilities	6,356,335	2,296,761
Notes payable, due after one year	<u>-</u>	<u>205,256</u>
Total liabilities	<u>6,356,335</u>	<u>2,502,017</u>
Net Assets		
Without Donor Restrictions		
Designated by the Board for stabilization reserve and quasi endowment (Note 11)	30,031,567	11,139,146
Undesignated	<u>5,412,135</u>	<u>28,139,804</u>
Total without donor restrictions	<u>35,443,702</u>	<u>39,278,950</u>
With Donor Restrictions		
Purpose restricted	364,521	322,672
Perpetual in nature	<u>2,024,206</u>	<u>2,015,574</u>
Total with donor restrictions (Note 8)	<u>2,388,727</u>	<u>2,338,246</u>
Total net assets	<u>37,832,429</u>	<u>41,617,196</u>
Total liabilities and net assets	<u>\$ 44,188,764</u>	<u>\$ 44,119,213</u>

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Activities and Changes in Net Assets
Year Ended March 31, 2022
(with summarized financial information for the year ended March 31, 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
Campaign revenue, support and other				
Campaign revenue				
Campaign results	\$ 8,398,433	\$ -	\$ 8,398,433	\$ 10,123,128
Less amounts designated by donors to specific organizations (Note 2)	(2,254,231)	-	(2,254,231)	(1,239,485)
Less provision for uncollectible pledges receivable	(322,814)	-	(322,814)	(486,488)
Net campaign revenue	5,821,388	-	5,821,388	8,397,155
Support and other				
Donated in-kind services (Note 1)	276,169	-	276,169	175,890
Bad debt recoveries	-	-	-	119,407
Management fee income	78,614	-	78,614	89,419
Other contributions	37,500	-	37,500	48,750
Grant income	702,306	-	702,306	10,340
Charitable grant	-	-	-	10,000,000
Grant administration fees	-	-	-	905,742
Paycheck Protection Program forgiveness	280,827	-	280,827	210,300
Rental Income (Note 3)	-	106,849	106,849	106,296
Miscellaneous	175,743	-	175,743	17,540
Investment gain, net (Note 3)	96,193	10,432	106,625	2,183,583
Total support and other	1,647,352	117,281	1,764,633	13,867,267
Total net campaign revenue, support and other	7,468,740	117,281	7,586,021	22,264,422
Grants and designations				
Community impact grants and designations	9,345,602	-	9,345,602	7,625,201
Less amounts designated by donors to specific organizations (Note 2)	(2,254,231)	-	(2,254,231)	(1,239,485)
Net grants	7,091,371	-	7,091,371	6,385,716
Functional expenses				
Program services	1,557,348	-	1,557,348	405,018
Support services	3,068,487	-	3,068,487	2,248,965
Total functional expenses	4,625,835	-	4,625,835	2,653,983

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Activities and Changes in Net Assets (Continued)
Year Ended March 31, 2022
(with summarized financial information for the year ended March 31, 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
Total grants and functional expenses	\$ 11,717,206	\$ -	\$ 11,717,206	\$ 9,039,699
Net assets released from restrictions	<u>66,800</u>	<u>(66,800)</u>	<u>-</u>	<u>-</u>
Change in net assets	(4,181,666)	50,481	(4,131,185)	13,224,723
Merger of Volunteer East Tennessee (Note 16)	1,474	-	1,474	-
Merger of Alliance for Better Nonprofits (Note 16)	344,944	-	344,944	-
Net assets at the beginning of the year	<u>39,278,950</u>	<u>2,338,246</u>	<u>41,617,196</u>	<u>28,392,473</u>
Net assets at the end of the year	<u>\$ 35,443,702</u>	<u>\$ 2,388,727</u>	<u>\$ 37,832,429</u>	<u>\$ 41,617,196</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statement of Functional Expenses
Year Ended March 31, 2022
(with summarized financial information for the year ended March 31, 2021)

	PROGRAM SERVICES						SUPPORT SERVICES				Total Program and Support Services	2021 Total Program and Support Services
	Education	Financial Stability	Housing	Capacity Building	TANF	Community Impact	Total Program Services	Resource Development	Management and General	Total Support Services		
Personnel expenses												
Salaries and related expenses	\$ 48,106	\$ 169	\$ 127,113	\$ 169,863	\$ -	\$ 593,220	\$ 938,471	\$ 780,194	\$ 787,976	\$ 1,568,170	\$ 2,506,641	\$ 1,554,436
Non-personnel expenses												
Professional and contract fees	25,278	7	5,683	40,072	192,754	32,308	296,102	174,789	75,200	249,989	546,091	75,851
Donated services	-	-	-	-	-	-	-	276,169	-	276,169	276,169	175,890
Rental and maintenance of equipment	1,871	477	5,310	9,349	-	36,266	53,273	184,541	28,326	212,867	266,140	287,168
Media, brochures and advertising	250	552	-	4,905	-	5,375	11,082	242,624	979	243,603	254,685	149,957
Membership dues and permits	3,841	14	10,799	12,999	-	45,527	73,180	69,281	57,192	126,473	199,653	148,986
Supplies	8,184	1,732	2,302	9,995	24,724	17,191	64,128	48,321	45,536	93,857	157,985	74,667
Meetings and events	11,175	-	177	59	3,220	12,729	27,360	100,178	22,862	123,040	150,400	22,984
Depreciation	1,891	7	5,366	6,388	-	22,708	36,360	30,256	28,126	58,382	94,742	75,580
Building occupancy	1,091	4	4,336	19,783	-	13,101	38,315	17,456	16,227	33,683	71,998	45,241
Staff development	-	-	(290)	850	-	5,340	5,900	8,604	47,206	55,810	61,710	7,605
Insurance	457	2	1,297	1,954	-	5,609	9,319	7,315	6,800	14,115	23,434	20,581
Postage and shipping	-	31	-	119	-	145	295	4,341	2,549	6,890	7,185	11,995
Auto allowances and car	200	-	63	653	30	1,843	2,789	1,472	2,723	4,195	6,984	760
Telephone	40	-	114	136	-	484	774	645	599	1,244	2,018	2,282
Total non-personnel expenses	54,278	2,826	35,157	107,262	220,728	198,626	618,877	1,165,992	334,325	1,500,317	2,119,194	1,099,547
Total functional expenses	\$ 102,384	\$ 2,995	\$ 162,270	\$ 277,125	\$ 220,728	\$ 791,846	\$ 1,557,348	\$ 1,946,186	\$ 1,122,301	\$ 3,068,487	\$ 4,625,835	\$ 2,653,983

See notes to financial statements.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Statements of Cash Flows
Years Ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (4,131,185)	\$ 13,224,723
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	94,742	75,580
Unrealized loss (gain) on investments	518,195	(1,951,167)
Realized gain on investments	(379,619)	(186,416)
Dividends received on investments, net of fees	(252,554)	-
Paycheck Protection Program loan forgiveness	(280,827)	(210,300)
Decrease in allowance for uncollectible pledges	(27,239)	(86,460)
Net earnings from endowment fund	-	(18,736)
Mergers of nonprofit organizations	346,418	-
Decrease (increase) in assets:		
Pledges receivable	2,581,162	822,227
Prepaid items and other current assets	(4,007)	111,938
Other receivables	98,144	41,806
Grants receivable	(324,195)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	214,853	(139,891)
Deferred revenue	5,765	-
Grants payable	3,036,601	(593,435)
Amounts designated by donors for specific organizations	877,926	(297,691)
Net cash from operating activities	<u>2,374,180</u>	<u>10,792,178</u>
Cash Flows From Investing Activities		
Purchases of investments	(17,412,651)	-
Maturities of certificates of deposit	499,145	2,050,398
Acquisition of property and equipment	(298,342)	(67,929)
Net cash from investing activities	<u>(17,211,848)</u>	<u>1,982,469</u>
Cash Flows From Financing Activities		
Proceeds from notes payable	-	491,127
Net cash from financing activities	<u>-</u>	<u>491,127</u>
Net change in cash, cash equivalents, and restricted cash	(14,837,668)	13,265,774
Cash, cash equivalents, and restricted cash at the beginning of the year	<u>26,454,318</u>	<u>13,188,544</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u>\$ 11,616,650</u>	<u>\$ 26,454,318</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements
March 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The United Way of Greater Knoxville, Inc. and Its Operating Divisions, the United Ways of Union, Jefferson, and Grainger Counties (collectively, the "Organization"), is a non-profit organization which provides supporting services and other assistance to public and private agencies and community organizations to meet the human service needs of the general public of Greater Knoxville, Union County, Jefferson County, and Grainger County, Tennessee.

Financial Statements - The financial statements include United Way of Greater Knoxville, Inc., and Its Operating Divisions: the United Ways of Union, Jefferson, and Grainger Counties. All interdivisional transactions have been eliminated.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2021, from which the summarized information was derived.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash - Restricted cash consists of funds held by the Monday Trustees as further described in Note 8 to the financial statements.

Net Asset Classification - Net assets are classified into two components as defined below:

- *Without Donor Restrictions* - This component of net assets consists of net assets that do not meet the definition of "restricted". These net assets are available for current use by the Board.
- *With Donor Restrictions* - This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors, grantors, contributors, or laws or regulations or other governments or restrictions imposed by law through constitutional provisions or enabling legislation. At March 31, 2022 and 2021, net assets with donor restrictions totaled \$2,388,727 and \$2,338,246 respectively are restricted for the use of the prescribed fund.

Revenue Recognition - The Organization records pledges and contributions received as without donor restrictions or with donor restrictions support depending on the existence and nature of any donor restrictions. Pledges receivable are recognized when the donors makes a promise to give to the Organization that is, in substance, unconditional. All other donor-restricted pledges are reported as increases in net assets with donor restrictions. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as "other net assets released from restrictions."

Allowance for Uncollectible Pledges - The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on prior experience and management's analysis of specific pledges made. Periodically, management reviews pledges receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the cost of staff time identified to those specific programs and activities.

Property and Equipment - Purchased property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose or time of use. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization capitalizes property and equipment with an original cost of at least \$750. Depreciation is computed on the straight-line method over the estimated useful lives of the assets and is considered a cost of operations.

Donated In-Kind Advertising Services - The value of donated in-kind advertising services, mainly consisting of media time, has been recorded as in-kind revenue and expensed in the amounts of \$276,169 and \$175,890 for 2022 and 2021, respectively, and is included in the Statement of Activities and Changes in Net Assets. Throughout the year, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. No value has been assigned to this volunteer time.

Income Tax Status - The Organization is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code ("IRC") §501(c)(3). Accordingly, no provision for federal income taxes has been made. Management is not aware of any uncertain tax positions as of March 31, 2022.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2019, 2020, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

The Organization is not aware of any unrelated business income that would trigger a taxable event for the tax years still open for examination.

Grants and Designations - The Organization routinely provides grant dollars to partner agencies in the Knox County area. Donors, at their discretion, may make designations to these specific organizations. Grants are reviewed and approved by the board preceding the grant year in which they would be paid. Any unpaid designations or allocations are recorded as Grants and allocations payable. During November 2021, the Organization received money to be disburse to another organization from an outside source. The intention was for the Organization to only hold the money and oversee the disbursement. The Amount still outstanding and included in grants and allocations payable is \$2,422,087. See additional information related to designations to specific organizations in Note 2.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could vary from those estimates.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give receivable. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising the Organization's contributor base and their dispersion across different industries and geographic areas. Insurance coverage is limited to \$250,000 per depositor at each financial institution, and the Organization's cash balances may exceed federally insured limits.

For the years ended March 31, 2022 two donor group made up 34% of contributions, and for the years ended March 31, 2021 one donor group made up 15% of contributions.

Reclassifications - Certain reclassifications have been made to the 2021 balances in order to conform to the 2022 presentation with no effect on the previously reported net assets or change in net assets.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - AMOUNTS DONATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$2,254,231 and \$1,239,485 of amounts designated by donors for specific organizations as a portion of total campaign results on the Statements of Activities and Changes in Net Assets for the fiscal years ended March 31, 2022 and 2021, respectively. These amounts include funds pledged to the Organization but designated by the donor to other organizations.

The Organization does not retain variance power related to these designations. They are treated as agency transactions rather than contributions and are reflected as liabilities of the Organization. The Statements of Activities and Changes in Net Assets show a reduction of campaign results for these pledges and also a reduction of grant expense for the pledges.

NOTE 3 - NET INVESTMENT RETURN

The net investment returns for the years ended March 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Dividends	\$ 335,302	\$ 45,765
Interest income	1,045	21,402
Unrealized (loss) gain	(518,195)	1,951,167
Realized gain	379,619	186,416
Rental income	106,849	106,296
Administrative fees	<u>(91,146)</u>	<u>(21,167)</u>
	<u>\$ 213,474</u>	<u>\$ 2,289,879</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

The following table summarizes the estimated useful lives, cost of purchased land, building, and equipment and the fair value of the donated land:

	2022				
	Estimated Useful Life	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
Land	N/A	\$ 51,050	\$ 1,839,520	\$ 1,890,570	\$ 1,890,570
Building	18 - 32 years	1,389,465	-	1,389,465	1,389,465
Leasehold Improvements	18 - 32 years	211,612	-	211,612	-
Construction in progress	N/A	46,254	-	46,254	-
Equipment and furniture	5 - 15 years	729,966	-	729,966	625,112
Vehicles	5 - 7 years	105,557	-	105,557	-
		2,533,904	1,839,520	4,373,424	3,905,147
Accumulated depreciation		(1,697,488)	-	(1,697,488)	(1,432,811)
Property and equipment, net		\$ 836,416	\$ 1,839,520	\$ 2,675,936	\$ 2,472,336

NOTE 5 - NOTES PAYABLE

Installment notes payable as of March 31, 2022 and 2021 consisted of the following:

	2022	2021
Note payable to a financial institution due in monthly installments of \$6,502 including interest at 1.00%, paid off during the year.	\$ -	\$ 280,827
Less installments due within a year	-	75,571
	<u>\$ -</u>	<u>\$ 205,256</u>

NOTE 6 - BENEFIT PLAN

The Organization has a 401(k) defined contribution plan covering substantially all employees. The monthly employer contribution on behalf of a participant is 4.8% of the participant's compensation. Additionally, monthly employer contribution on behalf of a participant is a 100% match on participant's contributions up to 4% of the participant's compensation. The contribution will not exceed the maximum amount allowed by the Internal Revenue Service regulations. The amount contributed by the Organization to the defined contribution plan amounted to \$199,992 and \$49,027 for the fiscal years ended March 31, 2022 and 2021, respectively.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 7 - LAND LEASES AND RELATED RENTAL INCOME

The Organization owns the following properties and other related operating leases:

	2022		2021	
	Recorded Value	Rental Income	Recorded Value	Rental Income
Northgate Shopping Center-Land (Tract I)	\$ 478,800	\$ 64,834	\$ 478,800	\$ 65,000
Northgate Shopping Center-Land (Tract II)	110,720	-	110,720	-
Papermill LaQuinta Inn/Fuse Church - Land	1,250,000	36,019	1,250,000	36,019
Other miscellaneous rents	-	5,996	-	5,277
	<u>\$ 1,839,520</u>	<u>\$ 106,849</u>	<u>\$ 1,839,520</u>	<u>\$ 106,296</u>

These land leases are classified as non-cancelable operating leases with remaining terms ranging from 19 to 45 years. Future minimum rental receipts under the non-cancelable operating leases with remaining terms in excess of one year as of March 31, 2022 are as follows:

Year ending March 31,	
2023	\$ 108,019
2024	108,019
2025	108,019
2026	108,019
2027	113,849
Thereafter	<u>2,055,837</u>
	<u>\$ 2,601,762</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or time periods as of March 31, 2022 and 2021:

	2022	2021
Monday deed of gift	\$ 1,839,519	\$ 1,839,519
Endowment with donor restrictions	<u>184,687</u>	<u>176,055</u>
Net assets with donor restrictions - perpetual in nature	<u>\$ 2,024,206</u>	<u>\$ 2,015,574</u>
Net assets with donor restrictions - purpose restricted	<u>\$ 364,521</u>	<u>\$ 322,672</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 9 - CHANGE IN BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The change in beneficial interest in assets held by others is summarized as follows:

	<u>2022</u>	<u>2021</u>
Dividends	\$ 335,302	\$ 45,765
Realized gain	379,619	180,554
Unrealized (loss) gain	(518,195)	1,951,167
Administrative fees	<u>(91,146)</u>	<u>(21,167)</u>
Earnings on beneficial interest in assets held by others, net	<u>\$ 105,580</u>	<u>\$ 2,156,319</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

As discussed in Note 1, when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as "Net assets released from restrictions". During the years ended March 31, 2022 and 2021, net assets with donor restrictions of \$106,849 and \$101,016 were received in by the Organization. Amounts of \$66,800 were released from restriction and expended as of March 31, 2022. Accordingly, these funds are reflected as changes in net asset with donor restrictions in the accompanying Statement of Activities.

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The net assets without donor restrictions - board designated consists of \$30,031,567 and \$11,139,146 at March 31, 2022 and 2021, respectively, set aside by the Organization's Board of Directors in the Endowment Fund, Operating Stabilization Reserve (the "Reserve") and Organization Operating Reserves.

The Reserve was established by the Organization's Board of Directors on March 31, 2006. The Reserve had balances of \$3,400,761 and \$2,644,235 at March 31, 2022 and 2021, respectively. The Reserve assists in maintaining financial stability for the Organization and can be used to cover unanticipated expenses or pledge collection losses. The recommended balance of the Reserve is determined annually by the Operations Committee based upon a calculation that takes into consideration financial directives of the Organization's Board of Directors.

The Endowment Fund (the "Fund") is a Board designated vehicle used to accumulate funds over time with a long-term goal of funding the Organization's operating expenses from the earnings of the fund. The Fund is managed by the East Tennessee Foundation. Principal may only be removed from the Fund with two consecutive majority votes of the Board of Directors and approval by the East Tennessee Foundation Board of Directors.

The Live United Fund (the "Fund") is a Board designated vehicle used to accumulate funds over time with a long-term goal of funding the Organization's operating expenses from the earnings of the fund. The Fund consists of two investments in First Horizon Adisors and The Trust Company. Principal may only be removed from the Fund with two consecutive majority votes of the Board of Directors and approval.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED - (Continued)

The activity in the fund for the years ended March 31, 2022 and 2021 is as follows:

	2022				
	Live United Fund - First Horizon Adivors	Live United Fund - The Trust Company	Endowment Fund	Total	2021 Total
Balance at the beginning of the year	\$ -	\$ -	\$ 8,053,830	\$ 8,053,830	\$ 5,897,511
Contributions	9,000,000	9,000,001		18,000,001	-
Other income	-	8,398	-	8,398	-
Investment return, net (see Note 9)	(168,119)	(118,545)	392,244	105,580	2,156,319
Balance at the end of the year	<u>\$ 8,831,881</u>	<u>\$ 8,889,854</u>	<u>\$ 8,446,074</u>	<u>\$26,167,809</u>	<u>\$ 8,053,830</u>

The balance of the Net Assets Without Donor Restrictions - Designated at March 31, 2022 and 2021 is as follows:

	2022					
	Operating Stabilization Reserve	Endowment Fund	Board Designated Funds	Other Reserves	Total	2021 Total
United Way of Greater Knoxville	\$ 3,366,022	\$ 8,446,074	\$18,067,655	\$ -	\$29,879,751	\$10,986,728
United Way of Union County	4,563	-	-	23,568	28,131	27,601
United Way of Jefferson County	18,844	-	-	63,429	82,273	83,477
United Way of Grainger County	11,332	-	-	30,080	41,412	41,340
	<u>\$ 3,400,761</u>	<u>\$ 8,446,074</u>	<u>\$18,067,655</u>	<u>\$ 117,077</u>	<u>\$30,031,567</u>	<u>\$11,139,146</u>

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization values investments using the guidance in Financial Accounting Standards Board Codification 820-10-50-5, which provides a hierarchy by which to measure fair value. Level 1 inputs are based value upon quoted prices for identical assets or liabilities in active markets. Level 2 inputs are based value upon quoted prices for similar assets or liabilities in active markets or other market-based information, and Level 3 inputs are based on modeling. As of March 31, 2022, the Organization's long-term comingled investment pool consisted of 95.1% in Level 1, primarily mutual funds and 4.9% in Level 3, consisting of absolute return pool and private equity, resources and real estate.

Investments as of March 31, 2022 are as follows:

	Fair Value	Carrying Value
Net assets without donor restrictions	\$ 25,983,122	\$25,983,122
Net assets with donor restrictions	184,687	184,687
Total Investments	<u>\$ 26,167,809</u>	<u>\$26,167,809</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

Investments as of March 31, 2021 are as follows:

	Fair Value	Carrying Value
Net assets without donor restrictions	\$ 7,877,775	\$ 7,877,775
Net assets with donor restrictions	<u>176,055</u>	<u>176,055</u>
Total Investments	<u>\$ 8,053,830</u>	<u>\$ 8,053,830</u>

The following schedule summarizes the investments return and activities for the years ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	\$ 8,053,830	\$ 5,897,511
Dividends and contributions	18,343,701	45,765
Realized gain	379,619	180,554
Unrealized (loss) gain	(518,195)	1,951,167
Administrative fees	<u>(91,146)</u>	<u>(21,167)</u>
Balance at the end of the year	<u>\$ 26,167,809</u>	<u>\$ 8,053,830</u>

The following is the aggregate carrying amounts by major types as of March 31, 2022:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalent	\$ 587,350	\$ -	\$ 587,350
Multi asset mutual fund	3,454,444	-	3,454,444
Equity mutual funds	12,086,033	-	12,086,033
Fixed income mutual funds	7,176,818	-	7,176,818
Keystone fund	1,570,970	-	1,570,970
Private equity funds	-	608,117	608,117
Private real estate & natural resource funds	<u>-</u>	<u>684,077</u>	<u>684,077</u>
Total	<u>\$ 24,875,615</u>	<u>\$ 1,292,194</u>	<u>\$ 26,167,809</u>

The following is the aggregate carrying amounts by major types as of March 31, 2021:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Multi asset mutual fund	\$ 5,194,720	\$ -	\$ 5,194,720
Equity mutual funds	1,570,497	-	1,570,497
Fixed income mutual funds	821,491	-	821,491
Absolute return pool	-	-	-
Private equity funds	-	418,799	418,799
Private real estate & natural resource funds	<u>-</u>	<u>48,323</u>	<u>48,323</u>
Total	<u>\$ 7,586,708</u>	<u>\$ 467,122</u>	<u>\$ 8,053,830</u>

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

East Tennessee Foundation does not provide adequate information to separate the aggregate amounts that they report to the Organization for income, gains, expenses, and losses into amounts associated with Level 1 and Level 3. Consequently, the net change in Level 3 investments for the year is unable to be disclosed.)

Endowment Agreement

The Organization entered into an agreement with the East Tennessee Foundation (the "Foundation") to establish an endowment fund. The endowment fund is the property of the Foundation, and the Foundation has ultimate authority and control of all property of the fund, and the income derived thereof, for the charitable purposes of the Foundation. The net income, or an amount equal to the annual spending rate (a percentage of fair value), is to be distributed to the Organization each year. Upon 75% vote of approval of the Board of Directors of the Organization, and with the approval of the Foundation, which approval shall not be unreasonably withheld, the fund or some portion thereof may be distributed. The Board of Directors of the Foundation has the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community served. At March 31, 2022 and 2021, \$8,261,387 and \$7,877,778 of contributions, accumulated earnings and unrealized gains of endowment fund assets were available to be spent, respectively. This amount is presented in unrestricted net assets. The amount of \$184,687 and \$176,055 at March 31, 2022 and 2021, respectively, of endowment fund assets represents donor contributions and is reported in net assets with restrictions based on the donors' restrictions on the amounts they contributed.

Live United Fund

The Organization entered into two new investments during fiscal year 2022 with First Horizon Advisors and The Trust Company in the amounts of \$9,000,000 and \$9,000,001, respectively. The funds were setup to set aside board designated dollars to support the Live United Fund initiative. Each institution holds investments in both fixed and variable stocks and bonds. Balances as of March 31, 2022 for First Horizon Advisors and The Trust Company were \$8,831,881 and \$8,889,854, respectively.

NOTE 13 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of March 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the quasi endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or quasi endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 13 - AVAILABILITY OF FINANCIAL ASSETS - (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets per statement of financial position	\$ 44,188,764	\$ 44,119,213
Less those unavailable for general expenditures within one year, due to:		
Property and equipment, net	(2,675,936)	(2,472,336)
Contractual or donor-imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(364,521)	(322,672)
Board designations:		
Quasi endowment	(8,446,074)	(8,053,830)
Board Designated	(18,067,655)	(324,004)
Amounts set aside for liquidity reserve	<u>(3,517,838)</u>	<u>(2,761,312)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,116,740</u>	<u>\$ 30,185,059</u>

NOTE 14 - BUSINESS RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans give management the tools necessary to guide the Organization through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on the Company, the outcome of which is not predictable with assurance, and it is possible that the Organization could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, through a thorough evaluation of cash, our donor base, and our overhead projections, management believes that any resulting financial impact should not materially affect the financial position of the Organization as of March 31, 2022.

NOTE 15 - CARES ACT

On March 27, 2020, former President Trump signed into law the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. Management is currently evaluating how these provisions of the CARES Act will impact the Organization's financial position, results of operations, and cash flows.

The CARES Act also appropriated funds for the SBA Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment to provide liquidity to small businesses and not-for-profit organizations harmed by COVID-19.

The Organization applied for a second draw, and in March 2021 received, funds under the Paycheck Protection Program. The Organization received funds in the amount of \$280,827. The PPP loan was forgiven in full in August 2021, and reflected as income as of March 31, 2022.

UNITED WAY OF GREATER KNOXVILLE, INC.
AND ITS OPERATING DIVISIONS
Notes to Financial Statements (Continued)

NOTE 16 - MERGERS OF NONPROFITS

During July 2021 and November 2021, the Organization entered into agreements to merge with two other nonprofits Volunteer East Tennessee and Alliance for Better Nonprofits, respectively. Volunteer East Tennessee and Alliance for Better Nonprofits transferred their assets and liabilities, as a part of the agreement, to the Organization as the surviving entity. Net assets received and included in net assets on the Statement of Activities and Changes in Net Assets totaled \$1,474 and \$344,944, respectively.

NOTE 17 - SUBSEQUENT EVENTS

In April 2022, the United Way of Greater Knoxville in partnership with six other nonprofit organizations was awarded a Tennessee Opportunity Pilot Initiative Implementation Grant totaling \$25,000,000. Using these reserve funds from the state's Temporary Assistance for Needy Families ("TANF") program, United Way of Greater Knoxville and its East Tennessee Collaborative partners will work to move Tennesseans with economic, social, and developmental vulnerabilities beyond current circumstances and on to self-sufficiency. This is a reimbursement grant with a contract period beginning in November 2022.

DRAFT