

UNITED WAY OF LOUDON COUNTY, INC.

Financial Statements

March 31, 2021 and 2020



UNITED WAY OF LOUDON COUNTY, INC.
Financial Statements
March 31, 2021 and 2020

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7



Independent Auditors' Report

To the Board of Directors
United Way of Loudon County, Inc.
Lenoir City, Tennessee

We have audited the accompanying financial statements of United Way of Loudon County, Inc. (the "Organization"), which comprise the statement of financial position as of March 31, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 6, the Organization decided to begin including the balance of the East Tennessee Endowment Fund (the "Fund") on the statement of financial position. The change was accounted for on the statement of financial position as the net effect of change in accounting policy adjusting net assets in the amount of \$106,305. This balance reflects the ending value of the Fund as of March 31, 2020. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Loudon County, Inc. as of March 31, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Loudon County, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Roderic Messer & Co, PLLC

Knoxville, Tennessee
August 4, 2021



UNITED WAY OF LOUDON COUNTY, INC.
 Statements of Financial Position
 March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 376,051	\$ 352,555
Certificates of deposit	52,231	52,093
Pledges receivable, net of allowance for uncollectible pledges of \$51,137 and \$61,225 (Note 1)	42,884	135,503
Other current assets	<u>1,058</u>	<u>3,180</u>
Total current assets	472,224	543,331
Beneficial interest in assets held by others - endowment (Note 4)	<u>143,777</u>	<u>-</u>
Total assets	<u><u>\$ 616,001</u></u>	<u><u>\$ 543,331</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable, related party (Note 2)	\$ 100,221	\$ 102,706
Allocations payable (Note 1)	217,000	267,400
Amounts designated by donors for specific organizations	<u>24,252</u>	<u>31,287</u>
Total liabilities	<u>341,473</u>	<u>401,393</u>
Net Assets		
Without Donor Restrictions (Note 4)		
Designated by the board for operating reserve (Note 4)	87,472	50,000
Undesignated	<u>80,751</u>	<u>91,938</u>
Total net assets	168,223	141,938
Net effect of change in accounting policy (Note 6)	<u>106,305</u>	<u>-</u>
Total liabilities and net assets	<u><u>\$ 616,001</u></u>	<u><u>\$ 543,331</u></u>

UNITED WAY OF LOUDON COUNTY, INC.
 Statements of Activities and Changes in Net Assets
 Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Campaign Support, Revenues, and Other		
Campaign Revenue		
Campaign results	\$ 377,216	\$ 417,220
Less amounts designated by donors for specific organizations (Note 3)	(25,726)	(27,982)
Less provision for uncollectible pledges (Note 1)	(36,810)	(19,362)
Bad debt recovery	<u>-</u>	<u>1,146</u>
Net campaign revenue	314,680	371,022
Support and Other		
Investment gain (Note 3)	38,308	-
Endowment fund expenses	(1,658)	-
Interest income	<u>119</u>	<u>19</u>
Total campaign support, revenues, and other	<u>351,449</u>	<u>371,041</u>
Grants, Designations, and Functional Expenses		
Grants and designations		
Allocations and donor designations	260,226	315,734
Less amounts designated by donors for specific organizations (Note 3)	<u>(25,726)</u>	<u>(27,982)</u>
Net grants and designations	<u>234,500</u>	<u>287,752</u>
Functional Expenses (Note 1)		
Program services	8,982	21,253
Support services	<u>81,682</u>	<u>91,665</u>
Total functional expenses	<u>90,664</u>	<u>112,918</u>
Total grants, designations, and functional expenses	<u>325,164</u>	<u>400,670</u>
Change in net assets	26,285	(29,629)
Net assets at the beginning of the year	<u>141,938</u>	<u>171,567</u>
Net assets at the end of the year	<u>\$ 168,223</u>	<u>\$ 141,938</u>

UNITED WAY OF LOUDON COUNTY, INC.
Statement of Functional Expenses
Year Ended March 31, 2021
(with summarized financial information for the year ended March 31, 2020)

	<u>Support Services</u>				2021	2020
	Program Services	Resource Development	Management and General	Total Support Services	Total Program and Support Services	Total Program and Support Services
Professional and contract fees	\$ 293	\$ -	\$ 250	\$ 250	\$ 543	\$ 8,723
Supplies	-	-	154	154	154	-
Media, brochures, and advertising	-	-	57	57	57	-
Membership dues and permits	-	-	1,351	1,351	1,351	6,868
Insurance	-	-	1,240	1,240	1,240	-
United Way of Greater Knoxville campaign and administrative fees	<u>8,689</u>	<u>69,855</u>	<u>8,775</u>	<u>78,630</u>	<u>87,319</u>	<u>97,327</u>
Total	<u>\$ 8,982</u>	<u>\$ 69,855</u>	<u>\$ 11,827</u>	<u>\$ 81,682</u>	<u>\$ 90,664</u>	<u>\$ 112,918</u>

UNITED WAY OF LOUDON COUNTY, INC.
 Statements of Cash Flows
 Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 26,285	\$ (29,629)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on endowment	(35,068)	-
Net earnings from endowment fund	(2,404)	-
Bad debt expense	36,810	19,362
Bad debt recovery	-	(1,146)
Decrease (increase) in current assets		
Pledges receivable	55,809	18,273
Other current assets	2,122	(2,243)
Increase (decrease) in current liabilities		
Allocations payable	(50,400)	(17,954)
Amounts designated by donors for specific organizations	(7,035)	(8,271)
Accounts payable, related party	(2,485)	5,762
Net cash flows from operating activities	23,634	(15,846)
Cash Flows From Investing Activities		
Investments in certificates of deposit	(138)	-
Net cash flows from operating activities	(138)	-
Net change in cash and cash equivalents	23,496	(15,846)
Cash and cash equivalents at the beginning of the year	352,555	368,401
Cash and cash equivalents at the end of the year	\$ 376,051	\$ 352,555

UNITED WAY OF LOUDON COUNTY, INC.

Notes to Financial Statements

March 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - United Way of Loudon County, Inc. (the “Organization”) is a non-profit corporation under Internal Revenue Code Section 501(c)(3) 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 Loudon County, Tennessee. The Organization was formed to bring together a cross section of people and organizations in a community-wide effort to support the efficient delivery of human service programs that are directly related to current needs.

Basis of Presentation - The financial statements of the Organization have been prepared on the accrual basis of accounting. 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. During the years ended March 31, 2021 and 2020 there were no net assets or activities classified as net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows.

The financial statements include certain prior year summarized comparative information in total but not by expense type on the Statement of Functional Expenses. 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, 2020, from which the summarized information was derived.

Use of Estimates and Assumptions - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Organization considers investments with an initial maturity of three months or less and readily convertible into cash without significant loss due to penalties or interest to be cash and cash equivalents.

Allowance for Uncollectible Pledges - The Organization uses the allowance method to establish an allowance for uncollectible receivables. Management’s estimate of the allowance is based on historical experience and analysis of specific accounts. 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.

Allocations Payable - Amounts pledged to the Organization that have been designated for specific purposes are recorded as allocations payable. Allocations authorized but unpaid at year end are reported as liabilities in the accompanying statements of financial position.

Revenue Recognition - The Organization records unconditional pledges and contributions received as net assets without donor restrictions and net assets with donor restrictions depending on the existence and nature of any donor restrictions. Pledges and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the pledge or contribution is recognized. All other donor-restricted net assets are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, 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 net assets released from restrictions. During the years ended March 31, 2021 and 2020, there were no contributions received that were classified as net assets with donor restrictions.

Advertising - The costs of advertising, promotion, and marketing programs are charged to operations in the year incurred.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements (Continued)

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

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, 2021.

The Organization’s Form 990, Return of Organization Exempt from Income Tax, for the years ending 2018 through 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.

Donated Services, Materials, and Labor - A substantial number of unpaid volunteers have donated significant amounts of their time to develop and staff the Organization’s many programs. The value of these services is not susceptible to objective measurement or valuation. Thus, no amounts are reflected in the financial statements for these services.

Concentration of Credit Risk - Cash is maintained at financial institutions, and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Management of the Organization does not believe significant credit risk exists at March 31, 2021.

Functional Classification of Expenses - Functional classifications of expenses are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Organization incurs costs and expenses related to its supporting activities, such as fundraising and management. Expenses that are directly related to, and can be assigned to, a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of the Organization’s joint costs are the costs associated with campaign and administrative fees. The Organization allocates these joint costs primarily using proportional methods based on the time expended by personnel on the various functions.

Recent Adopted New Accounting Pronouncements - In June 2018, the FASB issued *ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which amends *FASB Codification Topic 958: Not-For-Profit Entities*, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The objective of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by NFP organizations.

The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution, falling in scope of Topic 958, or as an exchange transaction, falling in scope of Topic 606, *Revenue from Contracts with Customers*. The ASU accomplishes this by clarifying how a NFP organization determines whether a resource provider is participating in an exchange transaction (i.e. receiving commensurate value).

Additionally, the ASU provides additional guidance to determine whether a contribution is conditional and more thoroughly distinguishes a donor-imposed condition from a donor-imposed restriction by requiring organizations to determine whether a contribution is conditional based on whether an agreement includes (1) a barrier that must be overcome and/or (2) either a right to return of assets transferred or a right of release of promisor’s obligation to transfer assets. Once conditionality has been determined, the organization must recognize contribution revenue or expense in line with when conditions have been met. Upon meeting conditions, the organization must then determine whether the contribution is of restricted nature and recognize in the appropriate net asset class.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements (Continued)

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

Recent Adopted New Accounting Pronouncements (Continued) - The Organization, as permitted, has elected to adopt this ASU using the modified prospective method of implementation. This requires that the amendments of the ASU be applied to contribution agreements not completed as of the effective date or entered into after the effective date. Management has evaluated contributions within the previously mentioned context and has determined there to be no material effect on timing or amount of contribution revenue recognized compared to prior practices.

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 - RELATED PARTY

Program services, resource development, and management and general expenses are the costs incurred by the United Way of Greater Knoxville, Inc. (a related party) for campaign and accounting expenses on behalf of and charged to the Organization. Total costs incurred were \$87,319 for the year ending March 31, 2021; the entire \$87,319 being the expenses paid and \$0 considered services donated by the United Way of Greater Knoxville, Inc. For the year ending March 31, 2020, total costs incurred were \$97,327; the entire \$97,327 being the expenses paid and \$0 considered services donated by the United Way of Greater Knoxville, Inc. Accounts payable to United Way of Greater Knoxville, Inc. at March 31, 2021 and 2020 were \$100,221 and \$102,706, respectively.

NOTE 3 - AMOUNTS DESIGNATED BY DONORS FOR SPECIFIC ORGANIZATIONS

The Organization has included \$25,726 and \$27,982 of amounts designated by donors for specific organizations as a portion of total campaign results on the statement of activities for the years ended March 31, 2021 and 2020, respectively. Such contributions are referred to as "donor choice." The collections of these contributions and distributions to donor specified agencies are transactions in which the Organization is acting as the agent. These transactions are not reported in the statement of activities as revenues and expenses, but are included in the total campaign results and then deducted as amounts designated by donors for specific organizations before arriving at net campaign revenue.

NOTE 4 - NET ASSETS WITHOUT RESTRICTIONS

The Board has designated funds for the years ended March 31, 2021 and 2020, of \$193,777 and \$50,000, respectively. These are funds which have been set aside by the Organization's board of directors as an agency operating reserve. These funds consist of the following:

	<u>2021</u>	<u>2020</u>
Quasi endowment fund, inclusive of the \$106,305 change in accounting policy	\$ 143,777	\$ -
Liquidity reserves	50,000	50,000
Total agency operating reserve	\$ 193,777	\$ 50,000

NOTE 5 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of March 31, 2021 and 2020, 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 that could be drawn upon if the governing board approves that action.

UNITED WAY OF LOUDON COUNTY, INC.
Notes to Financial Statements (Continued)

NOTE 5 - AVAILABILITY OF FINANCIAL ASSETS - (Continued)

Financial assets available to meet cash needs for general expenditures within one year as of March 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets per statement of financial position	\$ 472,224	\$ 543,331
Less those unavailable for general expenditures within one year, due to:		
Board designations:		
Quasi endowment	(143,777)	-
Amounts set aside for liquidity reserve	<u>(50,000)</u>	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 278,447</u>	<u>\$ 493,331</u>

NOTE 6 - EAST TENNESSEE FOUNDATION

During the year ended March 31, 2015, the United Way of Loudon County Opportunity Endowment Fund (“the Fund”) was created with the East Tennessee Foundation (“the Foundation”) via an irrevocable contribution of \$100,000. The Fund is the property of the Foundation and is owned by it in its normal corporate capacity. In such capacity, the Foundation has ultimate authority and control of all property of the Fund, and the income derived therefrom, for the charitable purposes of the Foundation.

Consistent with the policies of the Foundation, at their Board’s discretion, only the net income, or an amount calculated according to the annual spending rate (a percentage of market value), shall be distributed to the United Way of Loudon County each year. Upon a 75% vote of approval of the Board of Directors of United Way of Loudon County, and with the approval of the Foundation, which approval shall not be unreasonably withheld, the Fund or some portion thereof in excess of the Annual Distribution Amount may be distributed exclusively for the exempt purpose of the Fund within the meaning of Section 501(c)(3) of the Internal Revenue Code. The balance in the fund with East Tennessee Foundation at March 31, 2021 and 2020 was \$143,777 and \$106,305 respectively.

In prior years, these balances were not included on the organizations statement of financial position due to the nature of available funds. During 2021, management and the organization consulted East Tennessee Foundation regarding the availability of the funds and the intent of said funds. Upon concluding from this consultation that the funds are in fact available, should the need arise, management of the organization deemed it proper to bring these balances onto the statement of financial position as a change in accounting policy. The change is accounted for on a prospective basis and reflected in the statement of financial position as the net effect of change in accounting policy of \$106,305.

NOTE 7 - BUSINESS RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and evaluated the short-term and long-disaster preparedness plans give management the tools necessary to guide the Organization through such circumstances. We have 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, 2021.