

**CHATTANOOGA ROOM IN THE INN, INC.**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2021**

**JOHNSON, MURPHEY & WRIGHT, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHATTANOOGA, TENNESSEE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Chattanooga Room in the Inn, Inc.

We have audited the accompanying financial statements of Chattanooga Room in the Inn, Inc., which comprise the Statement of Financial Position as of June 30, 2021, and the related Statements of Activities, Cash Flows, and Functional Expenses 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.

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

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

Board of Directors  
Chattanooga Room in the Inn, Inc.  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chattanooga Room in the Inn, Inc. as of June 30, 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.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for purposes of additional analysis and is 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Johnson, Murphree & Wright, P.C.*

Chattanooga, Tennessee  
August 17, 2021

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Statement of Financial Position**  
**June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 245,726	\$ 265	\$ 245,991
Investments	238,470	15,000	253,470
Grant receivable	77,040	-	77,040
Accounts receivable	104	-	104
Total current assets	561,340	15,265	576,605
Non-current assets			
Lots held for resale	5,700	-	5,700
Property and equipment - net	617,387	-	617,387
Deposit	500	-	500
Total non-current assets	623,587	-	623,587
<b>TOTAL ASSETS</b>	<b>\$ 1,184,927</b>	<b>\$ 15,265</b>	<b>\$ 1,200,192</b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 9,229	\$ -	\$ 9,229
Accrued liabilities	15,832	-	15,832
Notes payable - current	5,256	-	5,256
Total current liabilities	30,317	-	30,317
Long-term liabilities			
Notes payable	42,787	-	42,787
Total liabilities	73,104	-	73,104
<b>Net assets</b>			
Without donor restrictions:			
Undesignated	996,685	-	996,685
Board-designated	115,138	-	115,138
With donor restrictions	-	15,265	15,265
Total net assets	1,111,823	15,265	1,127,088
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,184,927</b>	<b>\$ 15,265</b>	<b>\$ 1,200,192</b>

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

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Federal, state and local grants	\$ 225,660	\$ -	\$ 225,660
Private agency grants	6,000	-	6,000
CARES grant	9,507	-	9,507
Contributions	347,339	71,127	418,466
Fund-raising events	50,552	-	50,552
Investment return, net	1,522	-	1,522
Rental income	32,023	-	32,023
SBA loan forgiveness	60,787	-	60,787
Net assets released from restrictions:			
Satisfaction of program restrictions	71,127	(71,127)	-
Total revenues, gains and other support	804,517	-	804,517
<b>EXPENSES</b>			
<b>Program service</b>			
Shelter and assistance	633,678	-	633,678
<b>Supporting services</b>			
Management and general	44,006	-	44,006
Fund-raising	35,366	-	35,366
Total supporting services	79,372	-	79,372
Total expenses	713,050	-	713,050
Change in net assets	91,467	-	91,467
<b>Net assets - beginning</b>	1,020,356	15,265	1,035,621
<b>Net assets - end</b>	\$ 1,111,823	\$ 15,265	\$ 1,127,088

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

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**

<b>Cash Flows From Operating Activities</b>	
Increase (decrease) in net assets	\$ 91,467
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	28,568
Loan forgiveness	(60,787)
Net realized and unrealized (gains) on investments	(1,500)
(Increase) decrease in grant receivable	(71,196)
(Increase) decrease in accounts receivable	(104)
(Increase) decrease in prepaid expenses	1,725
Increase (decrease) in accounts payable	4,003
Increase (decrease) in accrued liabilities	524
Increase (decrease) in unearned revenue	<u>(20,812)</u>
Net cash provided (used) by operating activities	<u>(28,112)</u>
 <b>Cash Flows From Investing Activities</b>	
Purchases of property and equipment	(56,725)
Net purchase of investments	(150,000)
Net sale of investments	<u>130,476</u>
Net cash provided (used) by investing activities	<u>(76,249)</u>
 <b>Cash Flows From Financing Activities</b>	
Repayment of debt	<u>(4,949)</u>
Net increase (decrease) in cash	(109,310)
<b>Cash - beginning</b>	<u>355,301</u>
<b>Cash - end</b>	<u>\$ 245,991</u>
 <b>Supplemental Disclosure</b>	
Interest paid	<u>\$ 2,701</u>

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

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	Program Service	Supporting Services		Total
	Shelter and Assistance	Management and General	Fund- Raising	
<b>EXPENSES</b>				
Salaries	\$ 317,254	\$ 28,103	\$ 8,401	\$ 353,758
Payroll taxes	24,173	2,141	640	26,954
Employee benefits	25,156	2,228	666	28,050
Copier lease	2,047	-	-	2,047
Depreciation expense	28,568	-	-	28,568
Dues and subscriptions	4,557	-	-	4,557
Fund-raising	-	-	25,659	25,659
Guest services	116,583	-	-	116,583
Insurance	24,283	-	-	24,283
Interest	2,701	-	-	2,701
Mileage	37	-	-	37
Miscellaneous	-	1,524	-	1,524
Occupancy	7,300	-	-	7,300
Office supplies	3,699	-	-	3,699
Printing and postage	1,228	-	-	1,228
Professional fees	8,205	10,010	-	18,215
Rental property	24,981	-	-	24,981
Repairs and maintenance	3,731	-	-	3,731
Supplies and equipment	14,222	-	-	14,222
Telephone	6,726	-	-	6,726
Training	185	-	-	185
Utilities	18,042	-	-	18,042
<b>Total</b>	<b>\$ 633,678</b>	<b>\$ 44,006</b>	<b>\$ 35,366</b>	<b>\$ 713,050</b>

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



**CHATTANOOGA ROOM IN THE INN, INC.**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**A. Nature of Activities**

Chattanooga Room in the Inn, Inc. operates as a non-profit entity located in the greater Chattanooga, Tennessee area, which provides temporary shelter and offers support in accessing appropriate community services for the homeless women, and women with children who desire to make a commitment to bringing stability to their lives. The Entity's primary funding sources are donor contributions from donors who live in the greater Chattanooga, Tennessee area and from local government grants.

**B. Basis of Presentation - Net Asset Accounting**

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**C. Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue.

**D. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

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

### E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

### F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did result in additional disclosures contained in the footnotes herein.

### G. Prepayment of Expenses

Expenses extending over more than one accounting period are allocated between accounting periods and reported as an expense of the period in which they relate.

### H. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At year-end, there were no promises to give.

### I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

### J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Furniture and equipment	5-7 years
Vehicles	3-7 years

### K. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

### L. Unearned Revenues

The Entity had no unearned revenues received prior to year-end for the following year.

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

### **M. Valuation of Donated Services**

The Entity depends upon the services donated by its board members, supporters and volunteers to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The services donated do not meet the criteria, which would require recognition of their value in the financial statements.

### **N. Methods Used for Allocation of Expenses Among Functions**

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 salaries, payroll taxes and employee benefits, which are allocated on the basis of estimated of time and effort.

### **O. Description of Program and Supporting Services**

#### **Shelter and Assistance**

Dedicated to empowering homeless women and children to become self-sufficient by offering a temporary home while providing programs and services necessary to meet their goals.

#### **Management and General**

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

#### **Fund-raising**

Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.

### **P. Advertising**

Advertising costs are expensed as incurred.

### **Q. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **R. Uncertain Tax Position**

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended June 30, 2018 through June 30, 2021, for Federal income tax, the years that remain subject to examination by major jurisdictions as of June 30, 2021.

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

### S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

### T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between June 30, 2021 and August 17, 2021, which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

## NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 245,991
Investments	253,470
Grant receivable	77,040
Accounts receivable	<u>104</u>
Total financial assets	576,605
Less: net assets with donor restrictions	( 15,265)
Less: board-designated funds	<u>( 115,138)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 446,202</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments.

The Entity's endowment funds consists of a donor-restricted endowment and a board-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure. As described in Note 13, the board-designated endowment has a spending rate of 5%.

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

### NOTE 3 - CASH

At June 30, 2021, the carrying amount of cash was \$245,991 which consisted of petty cash of \$50 and demand deposits of \$245,941. The bank balance was \$220,537. FDIC insures up to \$250,000 per bank. At June 30, none was in excess of FDIC limits.

### NOTE 4 - INVESTMENTS

Investments at June 30, 2021, are stated at fair value as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Loss)</u>
Certificates-of-deposit	\$ 253,470	\$ 253,470	\$ -

FDIC insures up to \$250,000 per bank. At year-end, none was in excess of FDIC limits.

### NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 253,470	\$ -	\$ -	\$ 253,470

### NOTE 6 - GRANT RECEIVABLE

Grant receivable consists of the following:

Tennessee Housing Development Authority	\$ 60,721
Tennessee Emergency Shelter	10,319
City of Chattanooga	<u>6,000</u>
Total	<u>\$ 77,040</u>

**NOTE 7 - PROPERTY AND EQUIPMENT - NET**

Changes in the fixed assets for the year ended June 30, 2021, were as follows:

	Balance 06-30-20	Additions	Deletions	Balance 06-30-21
Land	\$ 45,929	\$ -	\$ -	\$ 45,929
Building and improvements	971,201	-	-	971,201
Furniture and equipment	46,413	23,167	( 4,880)	64,700
Vehicles	<u>33,150</u>	<u>33,558</u>	<u>-</u>	<u>66,708</u>
	1,096,693	56,725	( 4,880)	1,148,538
Accumulated depreciation	<u>( 507,463)</u>	<u>(28,568)</u>	<u>4,880</u>	<u>( 531,151)</u>
Total	<u>\$ 589,230</u>	<u>\$ 28,157</u>	<u>\$ -</u>	<u>\$ 617,387</u>

Depreciation expense was \$28,568 for the year ended June 30, 2021.

**NOTE 8 - NOTES PAYABLE**

Notes payable as of June 30, 2021, are as follows:

Loan dated February 12, 2021 in the amount of \$54,565, 5.25% interest	\$ 48,043
Less: Short-term portion	<u>( 5,256)</u>
Long-term notes payable	<u>\$ 42,787</u>

Future debt requirements are as follows:

Year ending June 30	Principal	Interest	Debt Requirements
2022	\$ 5,256	\$ 2,394	\$ 7,650
2023	5,539	2,111	7,650
2024	5,837	1,813	7,650
2025	6,151	1,499	7,650
2026	6,482	1,168	7,650
2027-2029	<u>18,778</u>	<u>1,358</u>	<u>20,136</u>
Total	<u>\$ 48,043</u>	<u>\$ 10,343</u>	<u>\$ 58,386</u>

Interest paid during the fiscal year amounted to \$2,701.

**NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following:

Undesignated	<u>\$ 996,685</u>
Board-designated for:	
Reserve fund	105,000
Endowment fund	<u>10,138</u>
	<u>115,138</u>
 Total	 <u>\$ 1,111,823</u>

The reserve fund is established to serve as a savings account and shall be used at the discretion and only with the permission of the Finance Committee. Any fund-raiser with profits of \$5,000 or greater shall pay 5% of the profit to the reserve fund.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Cameron Yarnell Scholarship	\$ 265
Endowment	<u>15,000</u>
 Total	 <u>\$ 15,265</u>

**NOTE 11 - FUNDING**

The Entity receives a major portion of its revenue from United Way of Greater Chattanooga. A major reduction of these funds could have a significant effect on future operations.

**NOTE 12 - COMMERCIAL INSURANCE**

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and employee health. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 13 - ENDOWMENT**

The Entity’s endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, 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.

## NOTE 13 - ENDOWMENT (Continued)

### Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity 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 and
- (7) the investment policies of the Entity.

### Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

### Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Objectives

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



**NOTE 13 - ENDOWMENT (Continued)**

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawal from this fund will be based on a total return policy anticipating a 5% per annum withdrawal. Such determination will be made by the Entity's Board of Directors. During the year ended June 30, 2021, the Board of Directors elected not to take a distribution from the endowment fund.

Endowment Net Asset Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 10,138	\$ -	\$ 10,138
Donor-restricted endowment funds	-	15,000	15,000
Total funds	<u>\$ 10,138</u>	<u>\$ 15,000</u>	<u>\$ 25,138</u>

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 10,134	\$ 15,000	\$ 25,134
Investment return, net	4	-	4
Contributions	-	-	-
Appropriation of endowment assets	-	-	-
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ 10,138</u>	<u>\$ 15,000</u>	<u>\$ 25,138</u>

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 15,000
Term endowment funds	-
Accumulated investment gains on endowment funds:	
Without purpose restrictions	-
With purpose restrictions	-
Total endowment funds classified as net assets with donor restrictions	<u>\$ 15,000</u>

**SUPPLEMENTAL INFORMATION**

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Comparative Schedule of Financial Position**  
**June 30, 2021 and 2020**

	2021	2020
<b>ASSETS</b>		
Current assets		
Cash	\$ 245,991	\$ 355,301
Investments	253,470	232,446
Grant receivable	77,040	5,844
Accounts receivable	104	-
Prepaid expenses	-	1,725
Total current assets	576,605	595,316
Non-current assets		
Lots held for resale	5,700	5,700
Property and equipment - net	617,387	589,230
Deposit	500	500
Total non-current assets	623,587	595,430
<b>TOTAL ASSETS</b>	<b>\$ 1,200,192</b>	<b>\$ 1,190,746</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 9,229	\$ 5,226
Accrued liabilities	15,832	15,308
Unearned revenue	-	20,812
Notes payable - current	5,256	65,775
Total current liabilities	30,317	107,121
Long-term liabilities		
Notes payable	42,787	48,004
Total liabilities	73,104	155,125
<b>Net assets</b>		
Without donor restrictions:		
Undesignated	996,685	905,222
Board designated	115,138	115,134
With donor restrictions	15,265	15,265
Total net assets	1,127,088	1,035,621
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,200,192</b>	<b>\$ 1,190,746</b>

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Comparative Schedule of Activities**  
**For the Years Ended June 30, 2021 and 2020**

	2021	2020
<b>REVENUES, GAINS AND OTHER SUPPORT</b>		
Federal, state and local grants	\$ 225,660	\$ 88,925
Private agency grants	6,000	5,000
CARES grant	9,507	-
Contributions	418,466	370,590
Fund-raising events	50,552	72,694
Investment return, net	1,522	8,447
Rental income	32,023	28,200
SBA loan forgiveness	60,787	-
Total revenues, gains and other support	804,517	573,856
<b>EXPENSES</b>		
<b>Program service</b>		
Shelter and assistance	633,678	439,743
<b>Supporting services</b>		
Management and general	44,006	43,184
Fund-raising	35,366	37,149
Total supporting services	79,372	80,333
Total expenses	713,050	520,076
Change in net assets	91,467	53,780
<b>Net assets - beginning</b>	1,035,621	981,841
<b>Net assets - end</b>	\$ 1,127,088	\$ 1,035,621

**CHATTANOOGA ROOM IN THE INN, INC.**  
**Comparative Schedule of Functional Expenses**  
**For the Years Ended June 30, 2021 and 2020**

	Program Service	Supporting Services		2021	2020
	Shelter and Assistance	Management and General	Fund- Raising		
<b>EXPENSES</b>					
Salaries	\$ 317,254	\$ 28,103	\$ 8,401	\$ 353,758	\$ 287,907
Payroll taxes	24,173	2,141	640	26,954	21,947
Employee benefits	25,156	2,228	666	28,050	18,910
Copier lease	2,047	-	-	2,047	2,286
Depreciation expense	28,568	-	-	28,568	26,572
Dues and subscriptions	4,557	-	-	4,557	2,947
Fund-raising	-	-	25,659	25,659	27,511
Guest services	116,583	-	-	116,583	25,031
Insurance	24,283	-	-	24,283	19,399
Interest	2,701	-	-	2,701	3,353
Mileage	37	-	-	37	440
Miscellaneous	-	1,524	-	1,524	1,662
Occupancy	7,300	-	-	7,300	3,725
Office supplies	3,699	-	-	3,699	2,124
Printing and postage	1,228	-	-	1,228	1,308
Professional fees	8,205	10,010	-	18,215	9,609
Rental property	24,981	-	-	24,981	32,548
Repairs and maintenance	3,731	-	-	3,731	5,614
Supplies and equipment	14,222	-	-	14,222	4,843
Telephone	6,726	-	-	6,726	4,801
Training	185	-	-	185	545
Utilities	18,042	-	-	18,042	16,994
<b>Total</b>	<b>\$ 633,678</b>	<b>\$ 44,006</b>	<b>\$ 35,366</b>	<b>\$ 713,050</b>	<b>\$ 520,076</b>