

CHATTANOOGA ROOM IN THE INN, INC.

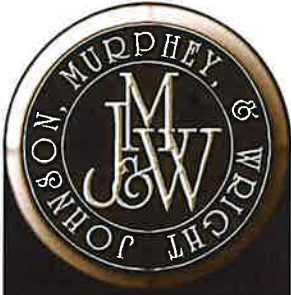
ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

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

CHATTANOOGA ROOM IN THE INN, INC.
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June 30, 2022

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Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members

American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Stuart Johnson, CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related Statements of Activities, Cash Flows, and Functional Expenses 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 Chattanooga Room in the Inn, Inc. as of June 30, 2022, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chattanooga Room in the Inn, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chattanooga Room in the Inn, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s 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 misstatements, whether due to fraud or error, and to issue an auditor’s 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Chattanooga Room in the Inn, Inc.’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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chattanooga Room in the Inn, Inc.’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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.

Board of Directors of
Chattanooga Room in the Inn, Inc.
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Supplementary Information

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, Murphy & Wright, P.C.

Chattanooga, Tennessee
September 15, 2022

CHATTANOOGA ROOM IN THE INN, INC.
Statement of Financial Position
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash	\$ 500,256	\$ 265	\$ 500,521
Investments	264,757	15,000	279,757
Grant receivable	8,666	-	8,666
Accounts receivable	657	-	657
Total current assets	774,336	15,265	789,601
Non-current assets			
Lots held for resale	5,700	-	5,700
Property and equipment - net	604,384	-	604,384
Deposit	500	-	500
Total non-current assets	610,584	-	610,584
TOTAL ASSETS	\$ 1,384,920	\$ 15,265	\$ 1,400,185
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 14,996	\$ -	\$ 14,996
Accrued liabilities	16,613	-	16,613
Notes payable - current	5,539	-	5,539
Total current liabilities	37,148	-	37,148
Long-term liabilities			
Notes payable	37,285	-	37,285
Total liabilities	74,433	-	74,433
Net assets			
Without donor restrictions:			
Undesignated	1,185,349	-	1,185,349
Board-designated	125,138	-	125,138
With donor restrictions	-	15,265	15,265
Total net assets	1,310,487	15,265	1,325,752
TOTAL LIABILITIES AND NET ASSETS	\$ 1,384,920	\$ 15,265	\$ 1,400,185

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Federal, state and local grants	\$ 345,131	\$ -	\$ 345,131
Private agency grants	5,750	-	5,750
Contributions	382,441	61,629	444,070
Fund-raising events	70,222	-	70,222
Investment return, net	1,708	-	1,708
Rental income	29,939	-	29,939
Net assets released from restrictions:			
Satisfaction of program restrictions	61,629	(61,629)	-
Total revenues, gains and other support	896,820	-	896,820
EXPENSES			
Program service			
Shelter and assistance	589,930	-	589,930
Supporting services			
Management and general	47,894	-	47,894
Fund-raising	60,332	-	60,332
Total supporting services	108,226	-	108,226
Total expenses	698,156	-	698,156
Change in net assets	198,664	-	198,664
Net assets - beginning	1,111,823	15,265	1,127,088
Net assets - end	\$ 1,310,487	\$ 15,265	\$ 1,325,752

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, 2022

Cash Flows From Operating Activities	
Increase (decrease) in net assets	\$ 198,664
Adjustments to reconcile net income to net cash provided (used) by operating activities	
Depreciation	34,129
Net realized and unrealized (gains) on investments	(1,149)
(Increase) decrease in grant receivable	68,374
(Increase) decrease in accounts receivable	(553)
Increase (decrease) in accounts payable	5,767
Increase (decrease) in accrued liabilities	<u>781</u>
Net cash provided (used) by operating activities	<u>306,013</u>
 Cash Flows From Investing Activities	
Purchases of property and equipment	(21,126)
Net purchase of investments	<u>(25,138)</u>
Net cash provided (used) by investing activities	<u>(46,264)</u>
 Cash Flows From Financing Activities	
Repayment of debt	<u>(5,219)</u>
Net increase (decrease) in cash	254,530
Cash - beginning	<u>245,991</u>
Cash - end	<u>\$ 500,521</u>
 Supplemental Disclosure	
Interest paid	<u>\$ 2,431</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, 2022

	Program Service	Supporting Services		Total
	Shelter and Assistance	Management and General	Fund- Raising	
EXPENSES				
Salaries	\$ 318,183	\$ 29,813	\$ 9,364	\$ 357,360
Payroll taxes	24,310	2,278	715	27,303
Employee benefits	19,900	1,864	586	22,350
Copier lease	2,243	-	-	2,243
Depreciation expense	34,129	-	-	34,129
Dues and subscriptions	4,597	-	-	4,597
Fund-raising	-	-	49,667	49,667
Guest services	80,799	-	-	80,799
Insurance	27,697	-	-	27,697
Interest	2,431	-	-	2,431
Miscellaneous	463	2,094	-	2,557
Occupancy	8,788	-	-	8,788
Office supplies	2,414	-	-	2,414
Printing and postage	2,367	-	-	2,367
Professional fees	6,815	11,845	-	18,660
Rental property	21,267	-	-	21,267
Repairs and maintenance	6,961	-	-	6,961
Supplies and equipment	3,154	-	-	3,154
Telephone	6,204	-	-	6,204
Training	539	-	-	539
Utilities	16,669	-	-	16,669
Total	<u>\$ 589,930</u>	<u>\$ 47,894</u>	<u>\$ 60,332</u>	<u>\$ 698,156</u>

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

CHATTANOOGA ROOM IN THE INN, INC.
Notes to Financial Statements
June 30, 2022

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. In-kind Contributions

Contributed nonfinancial assets, including donated professional services, donated equipment, and other in-kind contributions, are recorded at the fair value of the goods or services received. The Entity does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year.

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, 2019 through June 30, 2022, for Federal income tax, the years that remain subject to examination by major jurisdictions as of June 30, 2022.

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, 2022 and September 15, 2022, 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	\$ 500,521
Investments	279,757
Grant receivable	8,666
Accounts receivable	<u>657</u>
Total financial assets	789,601
Less: net assets with donor restrictions	(15,265)
Less: board-designated funds	<u>(125,138)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 649,198</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.

The Entity's endowment funds consist 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.

NOTE 3 - CASH

At June 30, 2022, the carrying amount of cash was \$500,521 which consisted of petty cash of \$48 and demand deposits of \$500,473. The bank balance was \$509,221. 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, 2022, are stated at fair value as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Loss)</u>
Certificates-of-deposit	\$ 279,757	\$ 279,757	\$ -

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, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 279,757	\$ -	\$ -	\$ 279,757

NOTE 6 - GRANT RECEIVABLE

Grant receivable consists of \$8,666 due from the Tennessee Housing Development Authority.

NOTE 7 - PROPERTY AND EQUIPMENT - NET

Changes in the fixed assets for the year ended June 30, 2022, were as follows:

	Balance <u>06-30-21</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06-30-22</u>
Land	\$ 45,929	\$ -	\$ -	\$ 45,929
Building and improvements	971,201	-	-	971,201
Furniture and equipment	64,700	21,126	(6,910)	78,916
Vehicles	<u>66,708</u>	<u>-</u>	<u>(3,000)</u>	<u>63,708</u>
	1,148,538	21,126	(9,910)	1,159,754
Accumulated depreciation	<u>(531,151)</u>	<u>(34,129)</u>	<u>9,910</u>	<u>(555,370)</u>
Total	<u>\$ 617,387</u>	<u>\$ (13,003)</u>	<u>\$ -</u>	<u>\$ 604,384</u>

Depreciation expense was \$34,129 for the year ended June 30, 2022.

NOTE 8 - NOTES PAYABLE

Notes payable as of June 30, 2022, are as follows:

Loan dated February 12, 2021 in the amount of \$54,565, 5.25% interest	\$ 42,824
Less: Short-term portion	<u>(5,539)</u>
Long-term notes payable	<u>\$ 37,285</u>

Future debt requirements are as follows:

Year ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Requirements</u>
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	6,830	820	7,650
2028-2029	<u>11,985</u>	<u>538</u>	<u>12,523</u>
Total	<u>\$ 42,824</u>	<u>\$ 7,949</u>	<u>\$ 50,773</u>

Interest paid during the fiscal year amounted to \$2,431.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	<u>\$ 1,185,349</u>
Board-designated for:	
Reserve fund	105,000
Home Again	10,000
Endowment fund	<u>10,138</u>
	<u>125,138</u>
 Total	 <u>\$ 1,310,487</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, 2022, 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	<u>-</u>	<u>15,000</u>	<u>15,000</u>
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	\$ 10,138	\$ 15,000	\$ 25,138
Investment return, net	-	-	-
Contributions	-	-	-
Appropriation of endowment assets	-	-	-
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>
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, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 500,521	\$ 245,991
Investments	279,757	253,470
Grant receivable	8,666	77,040
Accounts receivable	657	104
Total current assets	789,601	576,605
Non-current assets		
Lots held for resale	5,700	5,700
Property and equipment - net	604,384	617,387
Deposit	500	500
Total non-current assets	610,584	623,587
TOTAL ASSETS	\$ 1,400,185	\$ 1,200,192
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 14,996	\$ 9,229
Accrued liabilities	16,613	15,832
Notes payable - current	5,539	5,256
Total current liabilities	37,148	30,317
Long-term liabilities		
Notes payable	37,285	42,787
Total liabilities	74,433	73,104
Net assets		
Without donor restrictions:		
Undesignated	1,185,349	996,685
Board designated	125,138	115,138
With donor restrictions	15,265	15,265
Total net assets	1,325,752	1,127,088
TOTAL LIABILITIES AND NET ASSETS	\$ 1,400,185	\$ 1,200,192

CHATTANOOGA ROOM IN THE INN, INC.
Comparative Schedule of Activities
For the Years Ended June 30, 2022 and 2021

	2022	2021
REVENUES, GAINS AND OTHER SUPPORT		
Federal, state and local grants	\$ 345,131	\$ 225,660
Private agency grants	5,750	6,000
CARES grant	-	9,507
Contributions	444,070	418,466
Fund-raising events	70,222	50,552
Investment return, net	1,708	1,522
Rental income	29,939	32,023
SBA loan forgiveness	-	60,787
Total revenues, gains and other support	896,820	804,517
EXPENSES		
Program service		
Shelter and assistance	589,930	633,678
Supporting services		
Management and general	47,894	44,006
Fund-raising	60,332	35,366
Total supporting services	108,226	79,372
Total expenses	698,156	713,050
Change in net assets	198,664	91,467
Net assets - beginning	1,127,088	1,035,621
Net assets - end	\$ 1,325,752	\$ 1,127,088

CHATTANOOGA ROOM IN THE INN, INC.
Comparative Schedule of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	Program Service	Supporting Services		2022	2021
	Shelter and Assistance	Management and General	Fund- Raising		
EXPENSES					
Salaries	\$ 318,183	\$ 29,813	\$ 9,364	\$ 357,360	\$ 353,758
Payroll taxes	24,310	2,278	715	27,303	26,954
Employee benefits	19,900	1,864	586	22,350	28,050
Copier lease	2,243	-	-	2,243	2,047
Depreciation expense	34,129	-	-	34,129	28,568
Dues and subscriptions	4,597	-	-	4,597	4,557
Fund-raising	-	-	49,667	49,667	25,659
Guest services	80,799	-	-	80,799	116,583
Insurance	27,697	-	-	27,697	24,283
Interest	2,431	-	-	2,431	2,701
Mileage	-	-	-	-	37
Miscellaneous	463	2,094	-	2,557	1,524
Occupancy	8,788	-	-	8,788	7,300
Office supplies	2,414	-	-	2,414	3,699
Printing and postage	2,367	-	-	2,367	1,228
Professional fees	6,815	11,845	-	18,660	18,215
Rental property	21,267	-	-	21,267	24,981
Repairs and maintenance	6,961	-	-	6,961	3,731
Supplies and equipment	3,154	-	-	3,154	14,222
Telephone	6,204	-	-	6,204	6,726
Training	539	-	-	539	185
Utilities	16,669	-	-	16,669	18,042
Total	\$ 589,930	\$ 47,894	\$ 60,332	\$ 698,156	\$ 713,050