CAMPUS DEVOLOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

MAULDIN & JENKINS

CPAs & ADVISORS

C O N T E N T S

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
Campus Development Foundation, Inc.
Chattanooga, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Campus Development Foundation, Inc. (a nonprofit subsidiary of the University of Chattanooga Foundation, Inc.) and subsidiaries (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Campus Development Foundation, Inc. and subsidiaries as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Campus Development Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Campus Development Foundation, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Campus Development Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 21, 2024

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 549,191	$ 199,613
Deposits held at the University	220,238	33,781
Restricted investments	13,372,080	11,976,971
Accounts receivable from tenants, net	203,680	211,140
Other receivables	164,268	25,200
Prepaid expenses	316,454	285,080
Property and equipment	61,398,580	59,116,110
Total assets	$76,224,491	$ 71,847,895
LIABILITIES		
Accounts payable and accrued expenses	$ 3,799,457	$ 1,532,680
Accrued interest payable	553,663	589,225
Unearned income	131,484	8,122
Due to UC Foundation	30,752,136	26,403,484
Revenue bonds payable, net	48,325,191	51,481,357
Total liabilities	83,561,931	80,014,868
NET ASSETS (DEFICIT)		
Without donor restrictions	(12,337,440)	(13,166,973)
With donor restrictions	5,000,000	5,000,000
Total net assets (deficit)	(7,337,440)	(8,166,973)
Total liabilities and net assets	$76,224,491	$ 71,847,895

The Notes to Consolidated Financial Statements are an integral part of these statements.

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL OPERATING REVENUES			
Student housing rent	$ 13,425,902	$ -	$13,425,902
Leasing fees	94,801	-	94,801
Parking income	290,432	-	290,432
Other operating income	100,422	-	100,422
Total rental operating revenues	13,911,557	-	13,911,557
OPERATING EXPENSES			
Program services			
Rental operations	15,569,976	-	15,569,976
Support services			
Management and general	192,133	-	192,133
Total operating expenses	15,762,109	-	15,762,109
Change in net assets from operations	(1,850,552)	-	(1,850,552)
NONOPERATING REVENUES (EXPENSES) AND OTHER SUPPORT			
Contributions	1,965,000	-	1,965,000
Interest, dividend and other income	715,085	-	715,085
Total nonoperating revenues (expenses) and other support	2,680,085	-	2,680,085
Change in net assets	829,533	-	829,533
NET ASSETS (DEFICIT), beginning of year	(13,166,973)	5,000,000	(8,166,973)
NET ASSETS (DEFICIT), end of year	$ (12,337,440)	$ 5,000,000	$ (7,337,440)

The Notes to Consolidated Financial Statements are an integral part of this statement.

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
RENTAL OPERATING REVENUES			
Student housing rent	$ 12,259,923	$ -	$12,259,923
Leasing fees	73,349	-	73,349
Parking income	251,992	-	251,992
Other operating income	116,410	-	116,410
Total rental operating revenues	12,701,674	-	12,701,674
OPERATING EXPENSES			
Program services			
Rental operations	14,987,831	-	14,987,831
Support services			
Management and general	163,204	-	163,204
Total operating expenses	15,151,035	-	15,151,035
Change in net assets from operations	(2,449,361)	-	(2,449,361)
NONOPERATING REVENUES (EXPENSES) AND OTHER SUPPORT			
Contributions	581,321	-	581,321
Interest and dividend income	362,719	-	362,719
Total nonoperating revenues (expenses) and other support	944,040	-	944,040
Change in net assets	(1,505,321)	-	(1,505,321)
NET ASSETS (DEFICIT), beginning of year	(11,661,652)	5,000,000	(6,661,652)
NET ASSETS (DEFICIT), end of year	$ (13,166,973)	$ 5,000,000	$ (8,166,973)

The Notes to Consolidated Financial Statements are an integral part of this statement.

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2024 and 2023

	June 30, 2024			June 30, 2023		
	Program Services Rental Operations	Support Services Management and General	Total Operating Expenses	Program Services Rental Operations	Support Services Management and General	Total Operating Expenses
EXPENSES						
Salaries and employee benefits	$ 2,328,624	$ -	$ 2,328,624	$ 2,081,864	$ -	$ 2,081,864
Utilities	1,112,462	-	1,112,462	1,068,577	-	1,068,577
Maintenance	1,124,186	-	1,124,186	1,308,426	-	1,308,426
Bad debts	87,958	-	87,958	61,816	-	61,816
Insurance	552,840	-	552,840	399,100	-	399,100
Renovation	1,698,271	-	1,698,271	2,244,662	-	2,244,662
Office	-	170,133	170,133	-	127,459	127,459
Professional fees	-	22,000	22,000	-	35,745	35,745
Interest	2,740,471	-	2,740,471	2,574,926	-	2,574,926
Depreciation	5,925,164	-	5,925,164	5,248,460	-	5,248,460
Total functional expenses	$ 15,569,976	$ 192,133	$ 15,762,109	$ 14,987,831	$ 163,204	$ 15,151,035

The Notes to Financial Statements are an integral part of these statements.

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 829,533	$ (1,505,321)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,613,998	4,926,780
Provision for bad debts	87,958	61,816
Donated property and equipment	(1,965,000)	-
Change in operating assets and liabilities:		
Deposits held at the University	(186,457)	284,166
Accounts receivable	(219,566)	(130,722)
Prepaid expenses	(31,374)	(100,079)
Accrued interest payable	(35,562)	(33,875)
Unearned income	123,362	8,122
Accounts payable and accrued expenses	2,266,777	788,695
Net cash provided by operating activities	6,483,669	4,299,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(6,242,634)	(7,981,903)
Decrease (increase) in restricted investments	(1,395,109)	1,313,028
Net cash used in investing activities	(7,637,743)	(6,668,875)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on revenue bonds payable	(2,845,000)	(2,710,000)
Proceeds from borrowing from UC Foundation	4,348,652	4,723,349
Net cash provided by financing activities	1,503,652	2,013,349
NET (INCREASE) DECREASE IN CASH AND CASH EQUIVALENTS	349,578	(355,944)
CASH AND CASH EQUIVALENTS, beginning of year	199,613	555,557
CASH AND CASH EQUIVALENTS, end of year	$ 549,191	$ 199,613
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 2,776,033	$ 2,608,801

The Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Campus Development Foundation, Inc. (the Foundation) conform with United States generally accepted accounting principles (GAAP) and practices within the not-for-profit industry. The policies that materially affect the financial position and results of operations of the Foundation are summarized as follows:

Organization and nature of activities:

The Foundation was formed by the University of Chattanooga Foundation, Inc. to engage in charitable, scientific, and educational projects within the meaning of Section 501(c)(3) of the Internal Revenue Code. The projects include, but are not limited to, the acquisition of real property and the construction, management, and operation of dormitories for students of the University of Tennessee at Chattanooga. The Directors of the Foundation are appointed by the Board of Trustees of the University of Chattanooga Foundation, Inc.

The Foundation is the sole member of its subsidiaries, CDFI Phase I, LLC (the LLC), and Raccoon Mountain Caverns and Campground, LLC (RMCC). The LLC was formed to own and develop an elementary school in downtown Chattanooga and student housing at the University of Tennessee at Chattanooga (the University). RMCC was formed to own and hold donated property. At June 30, 2024, the student housing consists of 1,631 bedrooms in 455 units and 722 parking spaces.

Principles of consolidation:

The consolidated financial statements include the accounts of the Foundation and its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates:

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

The Foundation considers all cash and highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1. Summary of Significant Accounting Policies (continued)

Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes that all receivables are fully collectible at June 30, 2024 and June 30, 2023, and, therefore, there are no allowances for uncollectible amounts on accounts receivable.

Basis of presentation:

To ensure observances of limitations and restrictions placed on the use of resources available to the Foundation, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purpose in the two categories as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Foundation and its purposes.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue recognition:

The Foundation follows the guidance in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606), which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition: (continued)

The majority of the Foundation's revenues come from student housing rents which are not subject to ASC 606. Additionally, contribution revenue is also not subject to ASC 606. Revenues which are within the scope of ASC 606 include lease fees and parking and penalty income. Lease fees include application and damage fees, and are recognized at a point in time, that is when the application is submitted or the damage fee is assessed. Parking and penalty income are recognized at a point in time, that is when the penalty occurs or when the parking is utilized.

Revenue is reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions in net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation does not solicit funds from the general public. Contributions are recorded as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of appreciated assets are recorded at the estimated fair value at the date of receipt by the Foundation.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets. Fair values are based on quoted market prices, where available.

Property and equipment:

Property and equipment are recorded at cost, including capitalized interest. Depreciation is provided over the estimated useful lives of the respective classes, from 5 – 30 years, of assets using the straight-line method. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

Amortization:

Accounts subject to amortization consist of bond issuance and other financing costs on the revenue bonds described in Note 5. The original premium or discount on the bonds payable is also subject to amortization. These costs are being amortized over the lives of the related bonds.

Note 1. Summary of Significant Accounting Policies (continued)

Concentrations of credit and market risk:

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of cash equivalents, investments, and accounts receivable from tenants. The Foundation places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time, the Foundation's cash balances at financial institutions exceed federal depository insurance coverage and management considers this to be a normal business risk. The Foundation has not experienced any losses on its cash equivalents. Accounts receivable from tenants are due from current or former students at the University. The Foundation collects various deposits from each new tenant. The Foundation generally requires each student's parent or sponsor to execute a guaranty but does not require collateral. The Foundation's investments do not represent significant concentrations of market risk inasmuch as the Foundation's investments are held in money market funds that invest in U.S. Treasury bills.

Income tax status:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income.

The Foundation accounts for income taxes in accordance with income tax accounting guidance in Accounting Standards Codification (ASC) Topic 740. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's non-taxable status would not have a material effect on the Foundation's consolidated financial statements. With few exceptions, the Foundation is no longer subject to tax examinations by tax authorities for years before 2020.

Functional expenses:

Expenses are directly attributed to a particular function are charged to that function. As such, no expenses have been allocated among more than one program or activity.

Subsequent events:

Management performed an evaluation of subsequent events through October 21, 2024, the date these consolidated financial statements were available to be issued.

Note 1. Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements:

On July 1, 2023, the Foundation adopted ASU 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduces a new impairment model: the current expected credit loss (CECL) model. Topic 326 applies to most financial assets that are measured at amortized cost and requires those assets to be presented at net amounts expected to be collected. The adoption of Topic 326 did not have a significant or material impact on the Organization's financial statements.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year on the statement of financial position date, comprise of the following:

	2024	2023
Cash and cash equivalents	$549,191	$199,613
Accounts receivable from tenants	203,680	211,140
Other receivables	164,268	25,200
	$917,139	$435,953

As part of the Foundation'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.

Note 3. Restricted Investments

The revenue bonds restrict the use of certain investments at June 30, 2024 and 2023, as follows:

	2024	2023
Renewal and replacement reserves	$ 1,343,163	$ 903,151
Restricted for debt service payments	2,833,723	2,764,462
Debt service reserves	5,371,808	5,284,734
Surplus	3,823,386	3,024,624
	$13,372,080	$11,976,971

The investments restricted by the terms of the revenue bonds were invested as follows at June 30, 2024 and 2023:

	2024	2023
U.S. Treasury money market fund	$13,372,080	$11,976,971

Note 4. Property and Equipment

A summary of property and equipment at June 30, 2024 and 2023, is as follows:

	2024	2023
Land	$ 10,206,032	$ 8,241,032
Student housing buildings and improvements	91,010,371	88,499,895
Elementary school building	9,344,832	9,344,832
Furniture, fixtures and equipment	25,253,424	21,521,266
	135,814,659	127,607,025
Accumulated depreciation	(74,416,079)	(68,490,915)
	$ 61,398,580	$ 59,116,110

For the year ended June 30, 2024, the Foundation received contributed property in the amount of $1,965,000. The amount of the contribution was determined by an independent appraisal. The property is used by the University for academic purposes.

Note 5. Revenue Bonds Payable

Revenue bonds payable at June 30, 2024 and 2023, consist of the following:

	2024	2023
Series 2015 revenue refunding bonds, interest rates fixed at 3.0% to 5.0% payable semi-annually, annual redemption payments due through October 1, 2035	$46,295,000	$49,140,000
Plus: unamortized premium	2,388,283	2,753,331
Less: unamortized bond issuance costs	(358,092)	(411,974)
	$48,325,191	$51,481,357

During November 2015, the Health, Educational and Housing Facility Board of the City of Chattanooga issued Series 2015 tax-exempt revenue refunding bonds totaling $65,895,000. The LLC is the borrower on the Series 2015 bonds. The proceeds of the refunding bonds were primarily used to retire early the two series of tax-exempt revenue bonds issued in 2005. The two series of tax-exempt revenue bonds issued during May 2005, totaling $91,510,000, were used to retire early the three series of tax-exempt revenue bonds issued in 2000 and 2001. The 2000 and 2001 bonds were used to acquire land, fund construction of the student housing, and develop an elementary school near the student housing.

The primary sources of repayment of the revenue bonds are cash flows from the student housing. Under the terms of the bond documents, revenues from the student housing project are assigned to cover debt service requirements, property management fees, and other project-related expenses.

Note 5. Revenue Bonds Payable (continued)

The Foundation, the LLC, and the University of Chattanooga Foundation, Inc. have executed a rental make-whole agreement related to the student housing project. The agreement provides that the University of Chattanooga Foundation, Inc., under certain conditions, will make contributions to the LLC that assist in meeting the required debt service coverage ratios in the bond documents. For the years ended June 30, 2024 and 2023, the debt service coverage ratio was met without any contributions from the University of Chattanooga Foundation, Inc.

Any student housing revenues in excess of the requirements described above are available for payment to the Foundation as lease payments on the land. The Foundation, as the owner of the land, has leased the property to the LLC through 2041. The LLC has options to extend the lease for three additional five-year periods. The LLC made ground lease payments of $2,210,000 and $4,050,000, respectively, to the Foundation during the 2024 and 2023 fiscal years. These amounts are eliminated in the accompanying consolidated financial statements.

Substantially all assets of the LLC are pledged on the revenue bonds payable. Sinking fund requirements for scheduled redemptions of the revenue bonds for the next five years and thereafter are as follows:

June 30, 2025	$ 2,960,000
June 30, 2026	3,070,000
June 30, 2027	3,220,000
June 30, 2028	3,385,000
June 30, 2029	3,550,000
Thereafter	30,110,000
	$46,295,000

Note 6. Debt Service Coverage Ratio

The Series 2015 refunding bond documents provide criteria for computing the debt service coverage ratio. The required ratio is 1.20 times the debt service requirements of the Series 2015 bonds. For the fiscal years ended June 30, 2024 and June 30, 2023, revenues available for debt service exceeded the debt service coverage ratio as presented below. Management is not aware of any violations of any bond covenants.

	2024	2023
Revenues available for debt service	$ 9,328,501	$ 8,099,201
Series 2015 requirements at 1.20	(6,156,929)	(6,161,580)
Excess over requirement	$ 3,171,572	$ 1,937,621
Debt service coverage ratio	1.82	1.58

Note 7. Contingencies

From time to time the Foundation is involved in certain claims arising from normal business activities. Management believes that the financial position of the Foundation will not be materially affected by the final outcome of these proceedings.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions to the Foundation for the elementary school project. The elementary school is operated by the Hamilton County Department of Education. The restrictions related to the elementary school expire in 2027.

Note 9. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose would be subject to taxation as unrelated business income.

The Foundation accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740, Income Taxes. The Foundation follows the accounting guidance for recognizing and measuring uncertain tax positions. The Foundation follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Foundation's non-taxable status would not have a material effect on the Foundation's consolidated financial statements. The Foundation is no longer subject to tax examinations by tax authorities for years before 2020.

Note 10. Related Party Transactions

The Foundation, the LLC, and the University have a management agreement which allows the University to perform management responsibilities related to the student housing. Deposits held at the University on behalf of the LLC, were $220,238 at June 30, 2024 and $33,781 at June 30, 2023.

During the years ended June 30, 2024 and 2023, the Foundation reimbursed $5,763,269 and $8,223,766, respectively, to the LLC to cover the costs of repairs and renovations to buildings and other expenses. These transactions are eliminated in the accompanying consolidated financial statements.

Note 11. Fair Value Measurements

The Foundation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC Topic 820, "Fair Value Measurements and Disclosures", the fair value of a financial instrument 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. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

ASC Topic 820 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

ASC Topic 820 also establishes a three-tier fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 - Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs that reflect the Foundation's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Note 11. Fair Value Measurements (continued)

U.S. Treasury money market fund: The carrying amount is a reasonable estimate of fair value based on the short term nature of the asset.

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

The tables below present the recorded amount of assets measured at fair value on a recurring basis:

	Balance as of June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
U.S. Treasury money market fund	$13,372,080	$13,372,080	$ -	$ -

	Balance as of June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
U.S. Treasury money market fund	$11,976,971	$11,976,971	$ -	$ -

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the period. For the years ended June 30, 2024 and 2023, there were no transfers in or out of Levels 1, 2 or 3.

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

on Supplementary Information

To the Board of Directors
Campus Development Foundation, Inc.
Chattanooga, Tennessee

We have audited the consolidated financial statements of Campus Development Foundation, Inc. and subsidiaries as of and for the year ended June 30, 2024, and our report thereon dated October 21, 2024, which expresses an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 19 and 20 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 21, 2024

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CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2024

	Campus Development Foundation, Inc.	CDFI Phase I, LLC	Raccoon Mountain and Campground, LLC	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 43,880	$ 505,311	$ -	$ -	$ 549,191
Deposits held at the University	-	220,238	-	-	220,238
Restricted investments	-	13,372,080	-	-	13,372,080
Accounts receivable from tenants, net	-	203,680	-	-	203,680
Other receivables	-	164,268	-	-	164,268
Prepaid expenses	-	316,454	-	-	316,454
Property and equipment	7,713,679	51,719,901	1,965,000	-	61,398,580
Total assets	$ 7,757,559	$ 66,501,932	$ 1,965,000	$ -	$ 76,224,491
LIABILITIES					
Accounts payable and accrued expenses	$ -	$ 3,799,457	$ -	$ -	$ 3,799,457
Accrued interest payable	-	553,663	-	-	553,663
Unearned income	-	131,484	-	-	131,484
Due to UC Foundation	30,752,136	-	-	-	30,752,136
Revenue bonds payable, net	(12,909)	48,338,100	-	-	48,325,191
Total liabilities	30,739,227	52,822,704	-	-	83,561,931
NET ASSETS (DEFICIT)					
With donor restrictions	5,000,000	-	-	-	5,000,000
Without donor restrictions	(27,981,668)	13,679,228	1,965,000	-	(12,337,440)
Total net assets (deficit)	(22,981,668)	13,679,228	1,965,000	-	(7,337,440)
Total liabilities and net assets	$ 7,757,559	$ 66,501,932	$ 1,965,000	$ -	$ 76,224,491

CAMPUS DEVELOPMENT FOUNDATION, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES - NET ASSETS WITHOUT DONOR RESTRICTIONS
Year Ended June 30, 2024

	Campus Development Foundation, Inc.	CDFI Phase I, LLC	Raccoon Mountain and Campground, LLC	Eliminations	Consolidated
RENTAL OPERATING REVENUES					
Student housing rent	$ -	$ 13,425,902	$ -	$ -	$ 13,425,902
Leasing fees	-	94,801	-	-	94,801
Parking income	-	290,432	-	-	290,432
Other operating income	-	100,422	-	-	100,422
Total rental operating revenues	-	13,911,557	-	-	13,911,557
OPERATING EXPENSES					
Program services					
Rental operations	1,299,410	14,270,566	-	-	15,569,976
Support services					
Management and general	18,114	174,019	-	-	192,133
Total operating expenses	1,317,524	14,444,585	-	-	15,762,109
Change in net assets from operations	(1,317,524)	(533,028)	-	-	(1,850,552)
NONOPERATING REVENUES (EXPENSES) AND OTHER SUPPORT					
Contributions	-	-	1,965,000	-	1,965,000
Intercompany contributions	(3,553,478)	3,553,478	-	-	-
Interest, dividend and other income	2,399	712,686	-	-	715,085
Total nonoperating revenues (expenses) and other support	(3,551,079)	4,266,164	1,965,000	-	2,680,085
Change in net assets	(4,868,603)	3,733,136	1,965,000	-	829,533
NET ASSETS (DEFICIT), beginning of year	(23,113,065)	9,946,092	-	-	(13,166,973)
NET ASSETS (DEFICIT), end of year	$ (27,981,668)	$ 13,679,228	$ 1,965,000	$ -	$ (12,337,440)