UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

MAULDIN & JENKINS

CPAs & ADVISORS

C O N T E N T S

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

ROSTER OF THOSE CHARGED WITH GOVERNANCE
AND MANAGEMENT OFFICIALS
June 30, 2024

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

on the Financial Statements

To the Board of Trustees
University of Chattanooga Foundation, Inc.
Chattanooga, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of University of Chattanooga Foundation, Inc. (a nonprofit Foundation) and subsidiary (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 University of Chattanooga Foundation, Inc. and subsidiary 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. 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 University of Chattanooga Foundation, 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 these 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 University of Chattanooga Foundation, Inc.'s ability to continue as a going concern within one year after the date that the 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 and *Governmental 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 and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 University of Chattanooga 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 University of Chattanooga 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.

Other Matter

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of those charged with governance and management officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic consolidated financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 21, 2024

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 550,829	$ 200,112
Deposits held at the University	220,238	33,781
Investments	228,611,800	197,971,223
Restricted investments	13,372,080	11,976,971
Due from limited partnerships	948,012	7,086,831
Contributions receivable	26,245,577	7,034,521
Accounts receivable from tenants	203,680	211,140
Other receivables	514,733	139,025
Prepaid expenses and other assets	316,454	311,180
Property and equipment	61,415,872	59,116,110
Total assets	$ 332,399,275	$ 284,080,894
LIABILITIES		
Accounts payable and accrued expenses	$ 4,131,616	$ 1,936,950
Grants payable	565,680	705,364
Accrued interest payable	553,663	589,225
Unearned income	1,731,484	8,122
Revenue bonds payable, net of discount	48,325,191	51,481,357
Line of credit	40,000,000	40,000,000
Deposits received for the benefit of others:		
Lupton Renaissance Fund	959,323	969,604
SimCenter	1,359,344	1,398,192
Total liabilities	97,626,301	97,088,814
NET ASSETS		
Without donor restriction	49,521,252	43,246,047
With donor restriction	185,251,722	143,746,033
Total net assets	234,772,974	186,992,080
Total liabilities and net assets	$ 332,399,275	$ 284,080,894

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

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	$ 4,271	$ 38,329,581	$ 38,333,852	$ 28,420	$ 9,346,810	$ 9,375,230
Investment return designated for current operations	3,909,950	4,819,482	8,729,432	3,964,235	3,820,431	7,784,666
Rental operating revenues	13,911,557	-	13,911,557	12,701,674	-	12,701,674
Total operating revenue	17,825,778	43,149,063	60,974,841	16,694,329	13,167,241	29,861,570
Net assets released from restrictions:						
Satisfaction of program restrictions	13,248,965	(13,248,965)	-	9,046,303	(9,046,303)	-
Total operating revenues, gains, and other support	31,074,743	29,900,098	60,974,841	25,740,632	4,120,938	29,861,570
OPERATING EXPENSES						
Program services						
Program	13,248,663	-	13,248,663	8,458,512	-	8,458,512
Rental operations	15,569,976	-	15,569,976	14,987,831	-	14,987,831
Total program services	28,818,639	-	28,818,639	23,446,343	-	23,446,343
Support services						
General and administrative	1,148,322	-	1,148,322	2,053,330	-	2,053,330
Fundraising	3,452,279	-	3,452,279	2,915,402	-	2,915,402
Total support services	4,600,601	-	4,600,601	4,968,732	-	4,968,732
Total operating expenses	33,419,240	-	33,419,240	28,415,075	-	28,415,075
Change in net assets from operations	(2,344,497)	29,900,098	27,555,601	(2,674,443)	4,120,938	1,446,495
OTHER CHANGES						
Reclassification of net assets	14,823	(14,823)	-	894,418	(894,418)	-
Investment return reduced by amounts designated for current operations	5,924,794	11,620,414	17,545,208	(42,391)	2,120,172	2,077,781
Nonoperating income:						
Contributions from University of Tennessee at Chattanooga	-	-	-	56,475	-	56,475
Contributions	1,965,000	-	1,965,000	-	-	-
Interest income	715,085	-	715,085	362,719	-	362,719
Change in net assets	6,275,205	41,505,689	47,780,894	(1,403,222)	5,346,692	3,943,470
NET ASSETS, beginning of year	43,246,047	143,746,033	186,992,080	44,649,269	138,399,341	183,048,610
NET ASSETS, end of year	$ 49,521,252	$ 185,251,722	$ 234,772,974	$ 43,246,047	$ 143,746,033	$ 186,992,080

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

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

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

	June 30, 2024					June 30, 2023				
	Program Services		Support Services			Program Services		Support Services		
	Program	Rental Operations	Administrative	Fundraising	Total	Program	Rental Operations	Administrative	Fundraising	Total
Salaries and employee benefits	$ -	$ 2,328,624	$ 301,842	#########	$ 5,092,778	$ -	$ 2,081,864	$ 287,379	#########	$ 4,468,323
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	876,593	-	938,409
Insurance	-	552,840	30,628	-	583,468	-	399,100	29,440	-	428,540
Renovation	-	1,698,271	-	-	1,698,271	-	2,244,662	-	-	2,244,662
Office	-	-	162,364	-	162,364	-	-	253,118	-	253,118
Professional fees	-	-	289,663	-	289,663	-	-	289,256	-	289,256
Grants	13,958,447	-	-	-	13,958,447	8,789,957	-	-	-	8,789,957
Grants returned	(709,784)	-	-	-	(709,784)	(331,445)	-	-	-	(331,445)
Development and alumni	-	-	-	989,967	989,967	-	-	-	816,322	816,322
Interest	-	2,740,471	363,825	-	3,104,296	-	2,574,926	317,544	-	2,892,470
Depreciation	-	5,925,164	-	-	5,925,164	-	5,248,460	-	-	5,248,460
	$ 13,248,663	$ 15,569,976	$ 1,148,322	#########	##########	$ 8,458,512	##########	$ 2,053,330	#########	##########

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

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 47,780,894	$ 3,943,470
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investment	(1,064,953)	(4,996,221)
Net (gains) losses on investments	(22,471,389)	(7,084,095)
Depreciation and amortization	5,617,880	4,926,780
Provision for bad debts	87,958	938,409
Donated property and equipment	(1,965,000)	-
Change in operating assets and liabilities:		
Deposits held at the University	(186,457)	284,166
Due from limited partnerships	6,138,819	(7,086,831)
Contributions receivable	(19,211,056)	7,040,810
Accounts and other receivables	(456,206)	(197,437)
Prepaid expenses and other assets	(5,274)	(121,632)
Accrued interest payable	(35,562)	(33,875)
Grants payable	(139,684)	(16,238)
Unearned income	1,723,362	8,122
Other liabilities	2,145,537	1,135,711
Net cash provided by (used in) operating activities	17,958,869	(1,258,861)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(60,555,955)	(76,233,619)
(Increase) decrease in restricted investments	(1,395,109)	1,313,028
Proceeds from sales and maturities of investments	52,386,767	54,548,045
Purchases of property and equipment	(6,263,808)	(7,981,903)
Net cash used in investing activities	(15,828,105)	(28,354,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	1,064,953	4,996,221
Net increase in line of credit	-	26,971,644
Principal payments on revenue bonds payable	(2,845,000)	(2,710,000)
Net cash provided by (used in) financing activities	(1,780,047)	29,257,865
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	350,717	(355,445)
CASH AND CASH EQUIVALENTS, beginning of year	200,112	555,557
CASH AND CASH EQUIVALENTS, end of year	$ 550,829	$ 200,112
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 3,139,858	$ 2,926,345

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 University of Chattanooga Foundation, Inc. (the Foundation) conform with United States generally accepted accounting principles (GAAP) and practices within the not-for-profit industry. The Financial Accounting Standards Board (FASB) has adopted the FASB Accounting Standards Codification (ASC) as the single source of authoritative nongovernmental GAAP.

The policies that materially affect the financial position and results of operations of the Foundation are summarized as follows:

Foundation and nature of activities:

The Foundation is a tax-exempt Foundation under the provisions of Section 509(a)(1) of the Internal Revenue code. The Foundation is dedicated to excellence in higher education and special projects for the University of Tennessee at Chattanooga (the University). Proposals for special projects are submitted by the Chancellor of the University and approved by the Foundation's Board of Trustees and the University of Tennessee Board of Trustees.

Principles of consolidation:

The consolidated financial statements include the accounts of the Foundation and its subsidiary, Campus Development Foundation, Inc. (CDFI) and CDFI subsidiaries, CDFI Phase I, LLC (the LLC), and RMCC, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

CDFI was formed by the Foundation 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. The Directors of CDFI are appointed by the Executive Committee of the Foundation.

CDFI is the sole member of its subsidiaries, the LLC and RMCC, LLC. The LLC was formed to own and develop an elementary school in downtown Chattanooga and student housing at the University. The student housing consists of 1,621 bedrooms in 455 units and 722 parking spaces. RMCC was formed to own and hold donated property.

Use of estimates:

The preparation of financial statements in accordance 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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

Revenues from contributions, investment return and interest, and student housing rents are outside the scope of ASC 606. The Foundation’s services that fall 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. Lease fees and parking and penalty income are included in rental operating revenues and totaled approximately $485,700 and $441,800 for the years ended June 30, 2024 and 2023, respectively.

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.

Note 1. Summary of Significant Accounting Policies (continued)

Revenue recognition: (continued)

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. Contributions of nonfinancial gifts were not significant for the years ended June 30, 2024 and 2023.

Student housing rents are recorded as revenues during the year the related housing is provided. Student housing rents received in advance of services to be rendered are recorded as deferred revenue. Refunds of student housing fees is reflected as a reduction of rental operating revenues.

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. Money market funds, held as a portion of the Foundation's investment portfolio, are classified as investments and are not considered to be cash equivalents for the consolidated statements of cash flows.

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 historical collections and 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 accounts receivables are fully collectible at June 30, 2024 and 2023, and, therefore, there are no allowances for uncollectible amounts on accounts receivable.

Investments:

Investments 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 of marketable securities with readily determinable fair values are based on quoted market prices. Fair values of nontraditional investments are based on information provided by the administrators of the underlying funds.

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 of assets using the straight-line method. Buildings are depreciated over a period of 27-30 years, and furniture, fixtures, and equipment are depreciated over a period of 5-10 years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

Note 1. Summary of Significant Accounting Policies (continued)

Amortization:

Accounts subject to amortization consist of bond issuance and other financing costs on the revenue bonds described in Note 9. 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.

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 LLC collects various deposits from each new tenant. The LLC 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 diversified among many issuers.

Income tax status:

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from 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. 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 taxing authorities for years before 2020.

Functional expenses:

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent events:

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

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 Foundation'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 consolidated statement of financial position date, comprise of the following:

	2024	2023
Cash and cash equivalents	$ 550,829	$ 200,112
Investments	1,110,805	1,099,152
Accounts receivable from tenants	203,680	211,140
	$1,865,314	$1,510,404

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, generally a period of six months. The Foundation also has a board-designated endowment of $66,871,994. Although the Foundation does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval, amounts from its board-designated endowment could be made available if necessary. The Foundation also has a line of credit as more fully described in Note 10.

Note 3. Planned Gifts

The Foundation is the beneficiary of planned gifts from many donors at June 30, 2024. These planned gifts are supported by wills, trusts, insurance policies, and other documents. Because the beneficiary of these gifts may be changed at any time prior to the death of the donor, the Foundation has not recorded these planned gifts as contributions receivable in the accompanying consolidated financial statements.

Note 4. Restricted Investments

The revenue bonds described in Note 9 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 5. Investments

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

	2024	2023
Money market funds	$ 39,581,562	$ 32,460,894
Mutual funds	86,239,820	69,121,620
Common stocks	2,894,916	2,455,491
Limited partnerships	99,895,502	93,933,218
Total	$228,611,800	$197,971,223

At June 30, 2024 and 2023, the fair values of investments totaling $99,895,502 and $93,933,218, respectively, are based on valuations for which a readily determinable fair value does not exist. These investments are not listed on national exchanges or over-the-counter markets, and quoted market prices are not available. These investments include limited partnerships, private equity funds, and other types of non-traditional investments. The fair values of these investments are estimated based on a review of all available information provided by administrators of the funds. These fair value estimates are evaluated on a regular and consistent basis and are susceptible to revisions as more information becomes available. Because of these factors, it is reasonably possible that the estimated fair values of these investments may change materially in the near term.

Note 5. Investments (continued)

The following schedules summarize the investment return and its classification in the consolidated statements of activities for the years ended June 30, 2024 and 2023:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	$ 2,113,217	$ 1,690,034	$ 3,803,251
Net realized and unrealized gains	7,721,527	14,749,862	22,471,389
Total return on investments	9,834,744	16,439,896	26,274,640
Investment return designated for current operations	(3,909,950)	(4,819,482)	(8,729,432)
Investment income reduced by amounts designated for current operations	$ 5,924,794	$11,620,414	$17,545,208

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest	$ 1,625,136	$ 1,153,216	$ 2,778,352
Net realized and unrealized gains	2,296,708	4,787,387	7,084,095
Total return on investments	3,921,844	5,940,603	9,862,447
Investment return designated for current operations	(3,964,235)	(3,820,431)	(7,784,666)
Investment income reduced by amounts designated for current operations	$ (42,391)	$ 2,120,172	$ 2,077,781

Note 6. Contributions Receivable

Contributions receivable are due as follows:

	2024	2023
Due within one year	$11,572,286	$ 665,989
Due in one to five years	13,304,151	6,297,543
Due in greater than five years	1,369,140	70,989
	$26,245,577	$7,034,521

Contributions receivable are recorded at the present value of estimated future cash flows using a discount rate of 6%. The unamortized discount was $3,727,660 at June 30, 2024, and $1,717,666 at June 30, 2023.

When management determines that a receivable is uncollectible, the balance is removed from the receivables balance and is charged directly to expense. Subsequent recoveries of amounts previously written off are credited directly to expense. Management believes that all receivables are fully collectible at June 30, 2024 and 2023, and therefore there are no allowances for uncollectible contributions receivable.

During the year ended June 30, 2024, the Foundation received a conditional contribution receivable in the amount of $8,00,000 and received cash proceeds totaling $1,600,000 of the conditional pledge. The conditional contribution receivable has not been recorded at June 30, 2024, and the $1,600,000 received is recorded as deferred revenue on the consolidated statements of financial position. The conditional contribution receivable and associated contribution revenue will be recorded when the condition is met.

Note 7. 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	25,274,597	21,521,266
	135,835,832	127,607,025
Accumulated depreciation	(74,419,960)	(68,490,915)
	$ 61,415,872	$ 59,116,110

Note 8. Deposits Received for the Benefit of Others

The Foundation has received certain deposits that are held for the benefit of others. These deposits consist of funds received on a $25 million pledge for the Lupton Renaissance Fund to benefit the University, and funds received to benefit the University's SimCenter. The Foundation serves as custodian of these funds, which are intended to improve the academic quality of the University and to market and develop intellectual properties developed by the University's SimCenter. Activity in these funds for the years ended June 30, 2024 and 2023, is as follows.

	2024	2023
Balance, beginning of year	$2,367,796	$2,357,591
Additions	-	10,205
Disbursements	(49,129)	-
Balance, end of year	$2,318,667	$2,367,796

Note 9. 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 9. Revenue Bonds Payable (continued)

CDFI, the LLC, and the Foundation have executed a rental make-whole agreement related to the student housing project. The agreement provides that the Foundation, 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 LLC's years ended June 30, 2024 and 2023, the debt service coverage ratio was met without any contributions from the Foundation.

Any student housing revenues in excess of the requirements described above are available for payment to CDFI as lease payments on the land. CDFI, 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 CDFI during the 2024 and 2023 fiscal years. These amounts are eliminated in the accompanying consolidated financial statements.

The Series 2015 refunding bond documents provide the 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 2023, revenues available for debt service exceeded the debt service coverage ratios as follows:

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

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 10. Line of Credit

The Foundation has a $40,000,000 non-revolving unsecured line of credit with a bank. The line of credit will expire in January of 2045. The line of credit bears interest at a fixed rate of 2.85%. The outstanding balance at June 30, 2024 and 2023 was $40,000,000, respectively.

Note 11. Contingencies

From time to time the Foundation's subsidiaries may be 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 outcome of these proceedings.

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2024 and 2023:

Subject to expenditure for specified purpose:

	2024	2023
The Foundation:		
Programs:		
Academic	$ 6,399,465	$ 5,441,857
Professorships	1,280,563	1,250,702
Faculty development	33,172	28,074
Student scholarships	2,925,622	2,199,268
Other commitments	47,062,077	19,437,351
	57,700,899	28,357,252
CDFI:		
Elementary school project	5,000,000	5,000,000
Total subject to expenditure for specified purpose	62,700,899	33,357,252
Endowments:		
Programs:		
Academic programs	67,069,471	60,820,330
Professorships	18,557,231	16,686,721
Faculty development	992,997	903,817
Student scholarships	33,985,336	30,534,769
Other	1,945,788	1,443,144
Total endowments	122,550,823	110,388,781
Total net assets with donor restrictions	$185,251,722	$143,746,033

Net assets with donor restrictions are included in cash and cash equivalents, contributions receivable, due from limited partnerships, investments, and property and equipment.

Note 12. Net Assets With Donor Restrictions (continued)

During the years ended June 30, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	2024	2023
Academic programs	$ 3,702,642	$3,288,676
Professorships	934,611	249,418
Faculty development	48,600	47,153
Student scholarships	2,419,128	2,003,173
Other	6,737,435	3,681,788
In-kind expenses	52,373	17,080
Less: grants returned	(645,824)	(240,985)
	$13,248,965	$9,046,303

Note 13. Subsidiary Net Assets

The accompanying consolidated statements of financial position include the combined net assets of the Foundation, CDFI, LLC, and RMCC, LLC. The net assets of CDFI, LLC, and RMCC, LLC are not available for distribution to the Foundation. Net assets with donor restrictions include $5,000,000 at June 30, 2024 and 2023, related to CDFI. Net assets without donor restrictions include $(12,337,440) at June 30, 2024 and $(13,166,973) at June 30, 2023, related to CDFI and the LLC.

Note 14. Net Assets Without Donor Restrictions

Net assets without donor restrictions are further classified in the accompanying consolidated financial statements as unrestricted or as board-designated endowments. Board-designated endowments are net assets designated solely by the Foundation's Board of Trustees for endowment purposes and have been established for discretionary grants and the general operation of the Foundation.

	2024	2023
Board designated for:		
Long-term investment	$47,858,030	$44,450,004
Academic programs	9,902,545	8,939,946
Student scholarships	9,111,419	8,422,602
Total board-designated	66,871,994	61,812,552
Subsidiary net assets (deficit)	(12,337,440)	(13,166,973)
Other	(5,013,302)	(5,399,532)
Total net assets without donor restrictions	$49,521,252	$43,246,047

Note 15. Fair Value Measurements

The Foundation utilizes 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 and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Money market funds: Valued at the carrying amount based on the short term nature of the assets.

Note 15. Fair Value Measurements (continued)

Mutual funds: Valued at daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held by the Foundation are deemed to be actively traded.

Common Stocks: Valued at quoted market prices available in an active market.

Limited partnerships: Valued at the net asset value (NAV) of units of a limited partnership. The NAV, as provided by the administrators of the underlying funds, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the investments held less its liabilities.

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.

Deposits received for the benefit of others: Valued at the amount payable on demand at the reporting date.

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 and liabilities 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)
Money market funds	$39,581,562	$39,581,562	$ -	$ -
Mutual funds:				
International funds	15,720,385	15,720,385	-	-
Index funds	61,163,579	61,163,579	-	-
Fixed income funds	8,231,133	8,231,133	-	-
Short-term bond funds	1,124,723	1,124,723	-	-
Total mutual funds	86,239,820	86,239,820	-	-

Note 15. Fair Value Measurements (continued)

	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)
Common stocks	2,894,916	2,894,916	-	-
U.S. Treasury money market fund	13,372,080	13,372,080	-	-
Total assets at fair value	142,088,378	142,088,378	-	-
Investments measured at net asset value (1) (2)	99,895,502	-	-	-
Total assets	$241,983,880	$142,088,378	$ -	$ -
Liabilities:				
Deposits received for the benefit of others	$ 2,318,667	$ 2,318,667	$ -	$ -
Total liabilities	$ 2,318,667	$ 2,318,667	$ -	$ -

	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)
Money market funds	$ 32,460,894	$ 32,460,894	$ -	$ -
Mutual funds:				
International funds	9,742,318	9,742,318	-	-
Index funds	50,625,341	50,625,341	-	-
Fixed income funds	7,662,286	7,662,286	-	-
Short-term bond funds	1,091,675	1,091,675	-	-
Total mutual funds	69,121,620	69,121,620	-	-
Common stocks	2,455,491	2,455,491	-	-
U.S. Treasury money market fund	11,976,971	11,976,971	-	-
Total assets at fair value	116,014,976	116,014,976	-	-
Investments measured at net asset value (1) (2)	93,933,218	-	-	-
Total assets	$209,948,194	$116,014,976	$ -	$ -

Note 15. Fair Value Measurements (continued)

	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)
Liabilities:				
Deposits received for the benefit of others	$ 2,367,796	$ 2,367,796	$ -	$ -
Total liabilities	$ 2,367,796	$ 2,367,796	$ -	$ -

(1) In accordance with Subtopic 820-10, the limited partnerships that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

(2) Limited partnership investments have investment strategies which include investments in private debt financing, emerging and global equity markets, long and short positions primarily in residential and commercial mortgage backed securities, senior secured debt, public and private oil and gas companies, direct origination and secondary market first and second mortgage liens, commercial real estate, equity based partnerships, and transportation and infrastructure. These investments also include certain restrictions on the Foundation's contributed capital. These restrictions include lock ups and withdrawal restrictions. Lock up restrictions range from 12-36 months. Withdrawal restrictions range from no withdrawals being allowed until termination of partnership to monthly and quarterly withdrawals with 30-90 days' notice. At June 30, 2024, the Foundation had outstanding commitments of approximately $16,250,000.

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.

Note 16. Endowments

The University of Chattanooga Foundation, Inc. has endowments consisting of approximately 300 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 16. Endowments (continued)

Interpretation of relevant law:

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA). The Board of Trustees of the Foundation has interpreted SPMIFA as requiring the maintenance of the purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation 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 Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Foundation 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 Foundation 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 Foundation.

(7) The investment policies of the Foundation.

Endowment net assets by type of fund consist of the following at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$123,072,601	$123,072,601
Board-designated endowment funds	66,871,994	-	66,871,994
Endowment net assets, end of year	$66,871,994	$123,072,601	$189,944,595

Note 16. Endowments (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$61,812,552	$110,941,000	$172,753,552
Investment income	958,846	1,539,964	2,498,810
Net realized and unrealized gains	7,716,435	13,567,020	21,283,455
Contributions	3,300	1,064,953	1,068,253
Change in contribution receivable	-	(87,506)	(87,506)
Appropriations	(1,766,354)	(4,291,626)	(6,057,980)
Transfers	(1,852,785)	338,796	(1,513,989)
Endowment net assets, end of year	$66,871,994	$123,072,601	$189,944,595

Endowment net assets by type of fund consist of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	$ -	$110,941,000	$110,941,000
Board-designated endowment funds	61,812,552	-	61,812,552
Endowment net assets, end of year	$61,812,552	$110,941,000	$172,753,552

Changes in endowment net assets for the fiscal year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$61,999,251	$109,155,039	$171,154,290
Investment income	557,911	1,056,424	1,614,355
Net realized and unrealized gains	2,318,283	4,426,163	6,744,446
Contributions	5,207	4,996,221	5,001,428
Change in contribution receivable	(735)	(4,368,399)	(4,369,134)
Appropriations	(1,318,509)	(4,305,123)	(5,623,632)
Transfers	(1,748,856)	(19,325)	(1,768,181)
Endowment net assets, end of year	$61,812,552	$110,941,000	$172,753,552

Note 16. Endowments (continued)

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. At June 30, 2024, deficiencies of this nature existed in two donor-restricted endowment funds, which together have an original value of $811,820, a fair value of $659,440, and a deficiency of $152,380. At June 30, 2023, deficiencies of this nature existed in nineteen donor-restricted endowment funds, which together have an original value of $1,610,565, a fair value of $1,553,038, and a deficiency of $57,527. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation that was deemed prudent by the Board of Trustees.

Return objectives and risk parameters:

The Foundation 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the consumer price index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average annual rate of return of approximately 6 percent above the rate of inflation. 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 Foundation 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 Foundation 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.

The Foundation has a policy of appropriating for distribution each year 4 percent of each endowment fund’s average balance for the last twelve quarters proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2 percent annually.

Note 17. Related Party Transactions

CDFI, the LLC, and the University have executed a management agreement which allows the University to assume management responsibilities related to the LLC's student housing. No management fees were paid to the University by the LLC in 2024 or 2023, respectively. At June 30, 2024 and 2023, deposits held at the University on behalf of the LLC were $220,238 and $33,781, respectively.

The University contributed $0 and $56,475 to the LLC to offset lost rental revenues and other expenses incurred in fiscal years 2024 and 2023, respectively.

Note 18. Affiliation Agreement

The Foundation entered into an affiliation agreement (the Agreement) with the University of Tennessee at Chattanooga, The University of Tennessee and The University of Tennessee Foundation, whereby the Foundation is designated to receive all private gifts for the support of the University of Tennessee at Chattanooga. The Agreement provides that the Foundation will cover all salary, benefits and operating expenses of development and alumni affairs for the staff assigned to implement programs for the benefit of the University of Tennessee at Chattanooga, and any increased costs for current staff. The Foundation incurred expenses of $3,452,279 and $2,915,402, respectively, for the years ended June 30, 2024 and 2023, which are included in fundraising expenses in the consolidated statements of activities.

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on Internal Control Over Financial Reporting

and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
University of Chattanooga Foundation, Inc.
Chattanooga, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Chattanooga Foundation, Inc. (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 21, 2024

SUPPLEMENTARY INFORMATION

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

on Supplementary Information

To the Board of Trustees
University of Tennessee Chattanooga Foundation, Inc.
Chattanooga, Tennessee

We have audited the consolidated financial statements of University of Chattanooga Foundation, Inc. and subsidiary as of and for the years ended June 30, 2024 and 2023, and our report thereon dated October 21, 2024, which expressed an unmodified opinion on those consolidated financial statements appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 31 through 36 is presented for purposes of additional analysis of the consolidated financial statements and 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 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 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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UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2024

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 1,638	$ 549,191	$ -	$ 550,829
Deposits held at the University	-	220,238	-	220,238
Investments	228,611,800	-	-	228,611,800
Restricted investments	-	13,372,080	-	13,372,080
Due from limited partnerships	948,012	-	-	948,012
Contributions receivable	26,245,577	-	-	26,245,577
Accounts receivable from tenants	-	203,680	-	203,680
Other receivables	350,465	164,268	-	514,733
Prepaid expenses and other assets	-	316,454	-	316,454
Notes receivable from subsidiary	30,752,136	-	30,752,136	-
Property and equipment	17,292	61,398,580	-	61,415,872
Total assets	$ 286,926,920	$ 76,224,491	$30,752,136	$332,399,275
LIABILITIES				
Accounts payable and accrued expenses	$ 332,159	$ 3,799,457	$ -	$ 4,131,616
Grants payable	565,680	-	-	565,680
Accrued interest payable	-	553,663	-	553,663
Unearned income	1,600,000	131,484	-	1,731,484
Revenue bonds payable, net of discount	-	48,325,191	-	48,325,191
Line of credit	40,000,000	-	-	40,000,000
Notes payable to parent company	-	30,752,136	30,752,136	-
Deposits received for the benefit of others:				
Lupton Renaissance Fund	959,323	-	-	959,323
SimCenter	1,359,344	-	-	1,359,344
Total liabilities	44,816,506	83,561,931	30,752,136	97,626,301
NET ASSETS (DEFICIT)				
Without donor restrictions	61,858,692	(12,337,440)	-	49,521,252
With donor restrictions	180,251,722	5,000,000	-	185,251,722
Total net assets (deficit)	242,110,414	(7,337,440)	-	234,772,974
Total liabilities and net assets	$ 286,926,920	$ 76,224,491	$30,752,136	$332,399,275

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES - WITHOUT DONOR RESTRICTION
Year Ended June 30, 2024

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 4,271	$ -	$ -	$ 4,271
Investment return designated for current operations	3,909,950	-	-	3,909,950
Rental operating revenues	-	13,911,557	-	13,911,557
Total operating revenue	3,914,221	13,911,557	-	17,825,778
Net assets released from restrictions:				
Satisfaction of program restrictions	13,248,965	-	-	13,248,965
Total operating revenues, gains, and other support	17,163,186	13,911,557	-	31,074,743
OPERATING EXPENSES				
Program services				
Programs	13,248,663	-	-	13,248,663
Rental operations	-	15,569,976	-	15,569,976
Total program services	13,248,663	15,569,976	-	28,818,639
Support services				
General and administrative	956,189	192,133	-	1,148,322
Fundraising	3,452,279	-	-	3,452,279
Total support services	4,408,468	192,133	-	4,600,601
Total operating expenses	17,657,131	15,762,109	-	33,419,240
Change in net assets from operations	(493,945)	(1,850,552)	-	(2,344,497)
OTHER CHANGES				
Reclassification of net assets	14,823	-	-	14,823
Investment return reduced by amounts designated for current operations	5,924,794	-	-	5,924,794
Nonoperating income:				
Contributions from University of Tennessee at Chattanooga	-	-	-	-
Contributions	-	1,965,000	-	1,965,000
Interest income	-	715,085	-	715,085
Change in net assets	5,445,672	829,533	-	6,275,205
NET ASSETS (DEFICIT), beginning of year	56,413,020	(13,166,973)	-	43,246,047
NET ASSETS (DEFICIT), end of year	$ 61,858,692	$ (12,337,440)	$ -	$ 49,521,252

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES - WITH DONOR RESTRICTION
Year Ended June 30, 2024

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 38,329,581	$ -	$ -	$ 38,329,581
Investment return designated for current operations	4,819,482	-	-	4,819,482
Rental operating revenues	-	-	-	-
Total operating revenue	43,149,063	-	-	43,149,063
Net assets released from restrictions:				
Satisfaction of program restrictions	(13,248,965)	-	-	(13,248,965)
Total operating revenues, gains, and other support	29,900,098	-	-	29,900,098
OPERATING EXPENSES				
Program services				
Programs	-	-	-	-
Rental operations	-	-	-	-
Total program services	-	-	-	-
Support services				
General and administrative	-	-	-	-
Fundraising	-	-	-	-
Total support services	-	-	-	-
Total operating expenses	-	-	-	-
Change in net assets from operations	29,900,098	-	-	29,900,098
OTHER CHANGES				
Reclassification of net assets	(14,823)	-	-	(14,823)
Investment return reduced by amounts designated for current operations	11,620,414	-	-	11,620,414
Nonoperating income:				
Contributions from CDFI	-	-	-	-
Interest income	-	-	-	-
Change in net assets	41,505,689	-	-	41,505,689
NET ASSETS, beginning of year	138,746,033	5,000,000	-	143,746,033
NET ASSETS, end of year	$ 180,251,722	$ 5,000,000	$ -	$ 185,251,722

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 499	$ 199,613	$ -	$ 200,112
Deposits held at the University	-	33,781	-	33,781
Investments	197,971,223	-	-	197,971,223
Restricted investments	-	11,976,971	-	11,976,971
Due from limited partnerships	7,086,831	-	-	7,086,831
Contributions receivable	7,034,521	-	-	7,034,521
Accounts receivable from tenants	-	211,140	-	211,140
Other receivables	113,825	25,200	-	139,025
Prepaid expenses and other assets	26,100	285,080	-	311,180
Notes receivable from subsidiary	26,403,484	-	26,403,484	-
Property and equipment	-	59,116,110	-	59,116,110
Total assets	$ 238,636,483	$ 71,847,895	$26,403,484	$284,080,894
LIABILITIES				
Accounts payable and accrued expenses	$ 404,270	$ 1,532,680	$ -	$ 1,936,950
Grants payable	705,364	-	-	705,364
Accrued interest payable	-	589,225	-	589,225
Unearned income	-	8,122	-	8,122
Revenue bonds payable, net of discount	-	51,481,357	-	51,481,357
Line of credit	40,000,000	-	-	40,000,000
Notes payable to parent company	-	26,403,484	26,403,484	-
Deposits received for the benefit of others:				
Lupton Renaissance Fund	969,604	-	-	969,604
SimCenter	1,398,192	-	-	1,398,192
Total liabilities	43,477,430	80,014,868	26,403,484	97,088,814
NET ASSETS (DEFICIT)				
Without donor restrictions	56,413,020	(13,166,973)	-	43,246,047
With donor restrictions	138,746,033	5,000,000	-	143,746,033
Total net assets (deficit)	195,159,053	(8,166,973)	-	186,992,080
Total liabilities and net assets	$ 238,636,483	$ 71,847,895	$26,403,484	$284,080,894

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES - WITHOUT DONOR RESTRICTION
Year Ended June 30, 2023

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 28,420	$ -	$ -	$ 28,420
Investment return designated for current operations	3,964,235	-	-	3,964,235
Rental operating revenues	-	12,701,674	-	12,701,674
Total operating revenue	3,992,655	12,701,674	-	16,694,329
Net assets released from restrictions:				
Satisfaction of program restrictions	9,046,303	-	-	9,046,303
Total operating revenues, gains, and other support	13,038,958	12,701,674	-	25,740,632
OPERATING EXPENSES				
Program services				
Programs	8,458,512	-	-	8,458,512
Rental operations	-	14,987,831	-	14,987,831
Total program services	8,458,512	14,987,831	-	23,446,343
Support services				
General and administrative	1,890,126	163,204	-	2,053,330
Fundraising	2,915,402	-	-	2,915,402
Total support services	4,805,528	163,204	-	4,968,732
Total operating expenses	13,264,040	15,151,035	-	28,415,075
Change in net assets from operations	(225,082)	(2,449,361)	-	(2,674,443)
OTHER CHANGES				
Reclassification of net assets	894,418	-	-	894,418
Investment return reduced by amounts designated for current operations	(42,391)	-	-	(42,391)
Nonoperating income:				
Contributions from University of Tennessee at Chattanooga	-	56,475	-	56,475
Contributions	(524,846)	524,846	-	-
Interest income	-	362,719	-	362,719
Change in net assets	102,099	(1,505,321)	-	(1,403,222)
NET ASSETS (DEFICIT), beginning of year	56,310,921	(11,661,652)	-	44,649,269
NET ASSETS (DEFICIT), end of year	$ 56,413,020	$ (13,166,973)	$ -	$ 43,246,047

UNIVERSITY OF CHATTANOOGA FOUNDATION, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES - WITH DONOR RESTRICTION
Year Ended June 30, 2023

	University of Chattanooga Foundation, Inc.	Campus Development Foundation, Inc. and Subsidiaries	Eliminations	Consolidated
OPERATING REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 9,346,810	$ -	$ -	$ 9,346,810
Investment return designated for current operations	3,820,431	-	-	3,820,431
Rental operating revenues	-	-	-	-
Total operating revenue	13,167,241	-	-	13,167,241
Net assets released from restrictions:				
Satisfaction of program restrictions	(9,046,303)	-	-	(9,046,303)
Total operating revenues, gains, and other support	4,120,938	-	-	4,120,938
OPERATING EXPENSES				
Program services				
Programs	-	-	-	-
Rental operations	-	-	-	-
Total program services	-	-	-	-
Support services				
General and administrative	-	-	-	-
Fundraising	-	-	-	-
Total support services	-	-	-	-
Total operating expenses	-	-	-	-
Change in net assets from operations	4,120,938	-	-	4,120,938
OTHER CHANGES				
Reclassification of net assets	(894,418)	-	-	(894,418)
Investment return reduced by amounts designated for current operations	2,120,172	-	-	2,120,172
Nonoperating income:				
Contributions from CDFI	-	-	-	-
Interest income	-	-	-	-
Change in net assets	5,346,692	-	-	5,346,692
NET ASSETS, beginning of year	133,399,341	5,000,000	-	138,399,341
NET ASSETS, end of year	$ 138,746,033	$ 5,000,000	$ -	$ 143,746,033

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

None.