

UNITED WAY OF SEVIER COUNTY

Sevier County, Tennessee

FINANCIAL STATEMENTS

May 31, 2025





PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
Telephone: 865-769-0660
Fax: 865-769-1660

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Sevier County

Opinion

We have audited the financial statements of United Way of Sevier County (the "Organization"), which comprise the statement of financial position as of May 31, 2025, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Way of Sevier County as of May 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, 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 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 the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 17, 2025

UNITED WAY OF SEVIER COUNTY
STATEMENT OF FINANCIAL POSITION
As of May 31, 2025

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 458,304
Certificates of Deposit	450,806
Pledges Receivable, Net	317,733
Other Assets	<u>2,975</u>
Total Current Assets	<u><u>1,229,818</u></u>
NON-CURRENT ASSETS	
Property and Equipment, Net	1,408
Right-of-Use Lease Assets	<u>46,963</u>
Total Non-Current Assets	<u><u>48,371</u></u>
TOTAL ASSETS	<u><u>\$ 1,278,189</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Allocations Payable	\$ 549,658
Designations Payable	6,081
Current Portion of Lease Liability	16,485
Other Liabilities	<u>2,676</u>
Total Current Liabilities	<u><u>574,900</u></u>
OPERATING LEASE LIABILITY	<u><u>30,478</u></u>
NET ASSETS	
Net Assets Without Donor Restrictions	663,600
Net Assets With Donor Restrictions	<u>9,211</u>
Total Net Assets	<u><u>672,811</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,278,189</u></u>

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

UNITED WAY OF SEVIER COUNTY

STATEMENT OF ACTIVITIES

For the Year Ended May 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
CHANGE IN NET ASSETS			
Campaign Revenue:			
Contributions	\$ 338,191	\$ 3,069	\$ 341,260
Special Events, Net	533,725	0	533,725
Less: Donor Designations	(4,548)	0	(4,548)
Less: Uncollectible Adjustments	<u>(6,398)</u>	<u>0</u>	<u>(6,398)</u>
Net Campaign Revenue	860,970	3,069	864,039
Other Income	1,134	0	1,134
Interest Income	<u>20,851</u>	<u>0</u>	<u>20,851</u>
Total Revenue	882,955	3,069	886,024
Net Assets Released from Restrictions	<u>5,438</u>	<u>(5,438)</u>	<u>0</u>
Total Revenue and Net Assets Released from Restrictions	<u>888,393</u>	<u>(2,369)</u>	<u>886,024</u>
EXPENSES			
Allocations and Designations:			
Less Donor Designations	450,000	0	450,000
Net Allocations and Designations	<u>(4,548)</u>	<u>0</u>	<u>(4,548)</u>
Program Services	445,452	0	445,452
Supporting Services:	134,530	0	134,530
Management and General	79,736	0	79,736
Fundraising	<u>30,854</u>	<u>0</u>	<u>30,854</u>
Total Expenses	<u>690,572</u>	<u>0</u>	<u>690,572</u>
CHANGE IN NET ASSETS	197,821	(2,369)	195,452
NET ASSETS - BEGINNING OF YEAR	<u>465,778</u>	<u>11,581</u>	<u>477,359</u>
NET ASSETS - END OF YEAR	<u>\$ 663,599</u>	<u>\$ 9,212</u>	<u>\$ 672,811</u>

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

UNITED WAY OF SEVIER COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended May 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ <u>195,452</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	483
Change in Assets and Liabilities:	
Pledges Receivable, Net	(105,115)
Other Assets	(82)
Allocations Payable	37,465
Designations Payable	(1,129)
Other Liabilities	<u>(5,994)</u>
Total Adjustments	<u>(74,372)</u>
Net Cash Provided by Operating Activities	<u>121,080</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Certificates of Deposit	<u>(450,806)</u>
Net Cash Used in Investing Activities	<u>(450,806)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(329,726)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>788,030</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>458,304</u></u>
Supplemental Disclosures:	
Noncash Investing and Financing Activities	
Right-of-Use Lease Asset Obtained in Exchange for Lease Liability	\$ 49,488

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

UNITED WAY OF SEVIER COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation	\$ 112,764	\$ 41,168	\$ 25,059	\$ 178,991
Campaign Expenses	6,758	0	0	6,758
Insurance	0	3,829	0	3,829
Supplies	147	4,097	0	4,244
Telephone	1,592	798	489	2,879
Postage	0	305	0	305
Bank Charges	0	0	3,528	3,528
Professional Fees	0	8,250	0	8,250
Licenses and Dues	10,580	3,532	0	14,112
Education and Training	0	1,250	0	1,250
Rent	0	12,138	0	12,138
IT Support and Internet	1,883	1,212	1,617	4,712
Other	645	2,996	0	3,641
	<u>134,369</u>	<u>79,575</u>	<u>30,693</u>	<u>244,637</u>
Total Before Depreciation				
Depreciation	161	161	161	483
	<u>\$ 134,530</u>	<u>\$ 79,736</u>	<u>\$ 30,854</u>	<u>\$ 245,120</u>

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

UNITED WAY OF SEVIER COUNTY
NOTES TO FINANCIAL STATEMENTS
May 31, 2025

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business - United Way of Sevier County (the "Organization") is a not-for-profit organization whose principal purpose is to raise funds to support public and private community agencies which meet the needs of the general public in Sevier County, Tennessee. The Organization is governed by a volunteer board of directors.

Basis of Presentation - The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to two net asset classifications: net assets without donor restrictions and net assets with donor restrictions. A specific financial statement reporting format has been established for not-for-profit organizations and requires the statement of activities to reflect all changes in net assets.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Income Tax Status - The Organization is exempt from federal income taxes under certain provisions of the Internal Revenue Code, Section 501(c)(3). The Organization files annual returns of organizations exempt from income taxes with the IRS.

Contributions and Pledges Receivable - Contributions are recognized as revenue by the Organization when the donor makes a promise to give that is in substance, unconditional. Campaign pledges are considered unconditional promises. These pledges, less an allowance for uncollectible accounts, are recorded as with or without donor restrictions depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities.

Although contributions with donor restrictions typically are reported as revenue that increases net assets with donor restrictions, they may be reported as revenue without donor restrictions if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on management's experience and management's judgment of collectability. Uncollectible amounts are written off and charged against the allowance at the point the receivable is deemed uncollectible by management. The provision for uncollectibles is computed based upon management's estimates of current economic factors applied to gross campaign contributions.

Allocations - The allocations consist of amounts allocated by the Organization to specific agencies. The allocations that the Organization awarded for fiscal year 2025 will be paid in fiscal year 2026. Once the allocation is unconditionally made, the expense has been incurred. These allocations are recognized as a payable and are recorded as allocations of net assets within the statement of activities.

Donor Designations - The Organization accepts contributions that are designated by the donor to be passed on to other charitable agencies, including funds pledged to the Organization and recorded as a receivable. Designations to other charitable agencies are distributed under the Organization's allocation procedures. The Organization does not retain variance power related to these designations; therefore, they are treated as agency transactions rather than contributions and are reflected as liabilities of the Organization.

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Property and Equipment - Property and equipment are recorded at cost. Donated property and equipment are recorded at the estimated fair value at the date of receipt. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Depreciation expense was \$484 for the year ended May 31, 2025. Accumulated depreciation was \$6,310 as of May 31, 2025.

Right-of-Use Lease Assets - Right-of-use lease assets are recognized upon lease commencement and represent the Organization's right to use an underlying asset for the lease term.

Lease Liabilities - Lease liabilities are recognized at commencement date and represent the Organization's obligation to make lease payments arising from a lease, measured on a discounted basis.

Advertising - Advertising costs are expensed as incurred.

Special Events - Revenues from special events are presented net of the direct costs associated with the special events. These direct costs are approximately \$121,100 for the year ended May 31, 2025.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are charged to program services, management and general, and fund-raising functions based on direct expenses incurred. Indirect expenses are allocated among the program and supporting services benefited, based on estimates of time and effort.

Evaluation of Subsequent Events - United Way of Sevier County's management has evaluated subsequent events through December 17, 2025, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

United Way of Sevier County regularly monitors the availability of resources required to meet its recurring operating needs. For purposes of analyzing resources available to meet expenditures over a 12-month period, the Organization considers all cash expenditures related to its ongoing activities.

As of May 31, 2025, the following financial assets could readily be made available within one year of the statement of financial position date to meet cash expenditures. Amounts not available to meet cash expenditures within one year also would include net assets with donor restrictions or financial assets with internal designations. There were donor restrictions of \$9,211 at May 31, 2025.

Cash and Cash Equivalents	\$ 458,304
Certificates of Deposit	450,806
Pledges Receivable, Net	317,733
Donor Restrictions	<u>(9,211)</u>
Financial Assets Available to Meet Cash Needs Within One Year	<u><u>\$ 1,217,632</u></u>

In addition to financial assets available to meet cash expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover cash expenditures. The Board annually awards agency allocations based on campaign results and cash flow forecasts. Refer to the statement of cash flows, which identifies the sources and uses of the Organization's cash and shows cash generated by operations for the year ended May 31, 2025.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject United Way of Sevier County to concentrations of credit risk consist primarily of cash and cash equivalents and contributions. Cash and cash equivalents are maintained in deposit accounts which, at times, may exceed federally insured limits. Additionally, a substantial portion of the contributions received is from individuals and/or their related businesses from the Sevier County area. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties.

The Organization maintains all of its cash and cash equivalent deposits in two local financial institutions. There was approximately \$583,000 of cash and cash equivalents in excess of the federally insured limits at May 31, 2025.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable consists of the following at May 31, 2025:

Pledges Receivable - 2025 Campaign	\$ <u>319,855</u>
	319,855
Less: Allowance for Uncollectible Accounts	<u>(2,122)</u>
Total	<u>\$ 317,733</u>

NOTE 5 - CONTRIBUTED NONFINANCIAL ASSETS

Donated goods and services are recorded in the financial statements at the fair value of the goods and services received based on what the Organization would pay to purchase the good/service from an unrelated third party. The Organization received \$27,667 of donated goods and services for the year ended May 31, 2025 which are primarily associated with special event activities.

Additionally, individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and services. No amounts have been reflected in these financial statements for this volunteer time.

NOTE 6 - LEASE COMMITMENT

The Organization leases office space under an agreement that which has an initial term through February 29, 2028. Monthly lease payments are \$1,500. The lease contains three optional renewal periods of three years.

The Organization follows accounting guidance ASU 2016-02, *Leases* (Topic 842). Under Topic 842, the Organization has recorded a right-of-use lease asset and lease liability for its operating lease. The operating lease right-of-use asset and associated liability is recognized at the commencement date and initially measured based on the present value of lease payments over the defined lease term. The Organization assesses its optional renewal periods using a threshold of reasonably certain, which is a high threshold. The lease agreement does not contain residual value guarantees, restrictions or covenants.

The weighted average remaining term as of May 31, 2025, is approximately 3 years and the weighted average discount rate is approximately 4%. Future minimum lease payments under noncancelable operating leases as of May 31, 2025 are as follows:

2026	\$ 18,000
2027	18,000
2028	<u>13,500</u>
Total Minimum lease payments including interest	49,500
Less: Amounts representing interest	<u>2,537</u>
Present Value of Minimum lease principal payments	<u>\$ 46,963</u>

SUPPLEMENTARY INFORMATION

UNITED WAY OF SEVIER COUNTY
SCHEDULE OF AGENCY SUPPORT - ALLOCATIONS AND DESIGNATIONS
For the Year Ended May 31, 2025

	<u>Allocations</u>	<u>Designations</u>
Boy Scouts Great Smoky Mountain Council	\$ 2,900	\$ 100
Boys and Girls Club of the Smoky Mountains	38,520	1,480
Douglas Cherokee - Sevier Co. Help Fund	11,610	390
East TN Kidney Foundation	2,500	0
Epilepsy Foundation of East Tennessee	3,500	0
Heartland Services	25,000	0
Helen Ross McNabb	19,950	50
Lakeway CASA	7,000	0
Legal Aid of East Tennessee	5,000	0
Mountain Hope Good Shepherd Clinic	55,000	0
Safe Harbor	81,550	450
Safespace	19,900	100
Senior Citizens Home Assistance Service - Sevier Co.	6,000	0
Smoky Mountain Area Rescue	24,835	165
Sevier County Council on the Aging	75,000	0
Sevier County Women's Recovery Home	44,000	0
Seymour Volunteer Fire Department	6,187	1,813
Tennessee Coalition on Homeless	5,000	0
The Salvation Army	<u>12,000</u>	<u>0</u>
Total	<u>\$ 445,452</u>	<u>\$ 4,548</u>