CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2024

MAULDIN & JENKINS

CPAs & ADVISORS

C O N T E N T S

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.
AND SUBSIDIARIES

ROSTER OF THOSE CHARGED WITH
GOVERNANCE AND MANAGEMENT OFFICIALS

Ms. Martina Guilfoil	President & Chief Executive Officer
Ms. Darla Bland	Chief Financial Officer
Ms. Andrea Hardaway	Chair
Mr. Matt Lyle	Vice Chair
Mr. Jerry Lee	Treasurer
Ms. Maria Noel	Secretary
Ms. Jenny Hill	Director
Mr. Tedarrell Scott	Director
Mr. John Crawford	Director
Ms. Maryanne Schenk	Director
Mr. Jason Steele	Director
Mr. Andy Leffler	Director
Ms. Tamekia Brewer	Director
Mr. Frank Hughes	Director

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report

To the Board of Directors
Chattanooga Neighborhood
Enterprise, Inc.
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Chattanooga Neighborhood Enterprise, Inc. (a nonprofit organization) and subsidiaries, 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 present fairly, in all material respects, the financial position of Chattanooga Neighborhood Enterprise, Inc. and subsidiaries as of June 30, 2024 and 2023, and the change 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 *Government 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 *Government 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 *Government 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, consolidating statement of financial position, consolidating statements of activities, and statement of activities – rental entities is presented for purposes of additional analysis 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 schedule of expenditures of federal and state awards, consolidating statement of financial position, consolidating statements of activities, and statement of activities – rental entities is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial 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 consolidated 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 November 13, 2024, on our consideration of Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 13, 2024

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,707,887	$ 4,793,189
Restricted cash	2,492,179	1,676,163
Accounts receivable	26,427	92,111
Grants receivable	286,239	73,814
Interest receivable	6,804	7,437
Prepaid expenses	107,602	113,254
Total current assets	6,627,138	6,755,968
NONCURRENT ASSETS		
Loans receivable, net of allowance for credit losses of $465,000 and $404,475, respectively	3,155,378	2,024,731
Construction in progress	3,467,949	6,249,719
Property and equipment at cost:		
Land	1,872,375	1,784,945
Rental property held and used	20,961,994	15,503,294
Furniture and fixtures	84,872	84,872
Right-of-use asset	271,977	319,989
Less accumulated depreciation	(3,521,923)	(2,782,396)
Property and equipment, net	19,669,295	14,910,704
Total noncurrent assets	26,292,622	23,185,154
Total assets	$ 32,919,760	$ 29,941,122
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 603,051	$ 204,934
Prepaid rent	62,663	63,321
Loan servicing payables	108,363	100,387
Escrow and contractual obligations	208,342	209,789
Refundable advances	213,675	215,275
Current portion of lease liability	50,325	43,077
Current portion of long-term debt	534,372	510,833
Total current liabilities	1,780,791	1,347,616
NONCURRENT LIABILITIES		
Refundable advances	1,491,200	851,200
Long-term lease liability	231,522	281,847
Line of credit	52,499	-
Construction loan	917,803	-
Long-term debt, net of unamortized debt issuance costs	13,006,234	13,050,212
Total noncurrent liabilities	15,699,258	14,183,259
Total liabilities	17,480,049	15,530,875
NET ASSETS		
Without donor restriction	11,497,205	11,531,187
With donor restriction	3,942,506	2,879,060
Total net assets	15,439,711	14,410,247
Total liabilities and net assets	$ 32,919,760	$ 29,941,122

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

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Program support:			
Homeownership preservation	$ 836,192	$ -	$ 836,192
Homeownership promotion	29,302	-	29,302
Lending and loan origination	139,375	1,000,000	1,139,375
Loan servicing	83,147	-	83,147
Neighborhood engagement	47,800	50,681	98,481
Real estate development	-	1,902,000	1,902,000
Small dollar loan	15,773	25,000	40,773
Total program support	1,151,589	2,977,681	4,129,270
General support:			
General revenue	2,674,770	52,485	2,727,255
Fundraising	9,739	-	9,739
Total general support	2,684,509	52,485	2,736,994
Net assets released from restrictions	1,966,720	(1,966,720)	-
Total revenues	5,802,818	1,063,446	6,866,264
EXPENSES			
Direct program services:			
Homeownership preservation	771,168	-	771,168
Lending and loan origination	130,666	-	130,666
Total direct program services	901,834	-	901,834
Indirect program services:			
Homeownership preservation	165,061	-	165,061
Homeownership promotion	126,843	-	126,843
Lending and loan origination	331,347	-	331,347
Loan servicing	307,433	-	307,433
Neighborhood engagement	415,301	-	415,301
Property management	1,109,161	-	1,109,161
Real estate development	381,963	-	381,963
Small dollar loan	140,442	-	140,442
Total indirect program services	2,977,551	-	2,977,551
Total program services	3,879,385	-	3,879,385
Support services:			
General and administrative	1,869,905	-	1,869,905
Fundraising	87,510	-	87,510
Total support services	1,957,415	-	1,957,415
Total expenses	5,836,800	-	5,836,800
Change in net assets	(33,982)	1,063,446	1,029,464
NET ASSETS, beginning of year	11,531,187	2,879,060	14,410,247
NET ASSETS, end of year	$ 11,497,205	$ 3,942,506	$ 15,439,711

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

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Program support:			
Homeownership preservation	$ 269,490	$ -	$ 269,490
Homeownership promotion	40,809	-	40,809
Lending and loan origination	60,338	-	60,338
Loan servicing	99,435	-	99,435
Neighborhood engagement	78,612	203,509	282,121
Real estate development	41,667	400,000	441,667
Small dollar loan	44,881	50,000	94,881
Total program support	635,232	653,509	1,288,741
General support:			
General revenue	3,583,206	4,844	3,588,050
Fundraising	15,280	-	15,280
Total general support	3,598,486	4,844	3,603,330
Net assets released from restrictions	473,381	(473,381)	-
Total revenues	4,707,099	184,972	4,892,071
EXPENSES			
Direct program services:			
Homeownership preservation	205,478	-	205,478
Homeownership promotion	-	-	-
Neighborhood engagement	-	-	-
Total direct program services	205,478	-	205,478
Indirect program services:			
Homeownership preservation	164,760	-	164,760
Homeownership promotion	117,555	-	117,555
Lending and loan origination	300,911	-	300,911
Loan servicing	233,267	-	233,267
Neighborhood engagement	381,353	-	381,353
Property management	877,354	-	877,354
Real estate development	294,947	-	294,947
Small dollar loan	112,667	-	112,667
Total indirect program services	2,482,814	-	2,482,814
Total program services	2,688,292	-	2,688,292
Support services:			
General and administrative	1,262,943	-	1,262,943
Fundraising	50,861	-	50,861
Total support services	1,313,804	-	1,313,804
Total expenses	4,002,096	-	4,002,096
Change in net assets	705,003	184,972	889,975
NET ASSETS, beginning of year	10,826,184	2,694,088	13,520,272
NET ASSETS, end of year	$ 11,531,187	$ 2,879,060	$ 14,410,247

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

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Administrative	$ -	$ 2,675	$ -	$ 2,675
Bank related	18,074	1,241	1,114	20,429
Communication	15,383	1,144	1,024	17,551
Contract services	-	126,841	-	126,841
Depreciation	527,859	211,197	470	739,526
Direct program expenses	901,834	-	-	901,834
Document storage	1,345	139	124	1,608
Dues and subscriptions	13,289	496	9,111	22,896
Equipment leasing	8,248	330	295	8,873
Healthy neighborhoods	3,638	-	-	3,638
Insurance	51,561	127,606	2,959	182,126
Interest	29,666	518,361	11	548,038
Land holding costs	56,847	487	437	57,771
Office supplies	15,658	1,204	1,078	17,940
Other	2,268	1,659	145	4,072
Postage	5,394	553	495	6,442
Professional services	256,634	143,650	6,567	406,851
Promotion and marketing	89,028	22,936	6,031	117,995
Provision for credit losses (recoveries)	67,160	48,491	-	115,651
Rent and utilities	78,483	93,854	7,132	179,469
Repairs and maintenance	-	246,988	-	246,988
Salaries, benefits and bonuses	1,639,922	53,573	47,927	1,741,422
Software	56,815	1,833	1,640	60,288
Taxes	1,050	263,600	15	264,665
Training	18,476	827	740	20,043
Travel	20,753	220	195	21,168
Total	$ 3,879,385	$ 1,869,905	$ 87,510	$ 5,836,800

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

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Administrative	$ -	$ 4,312	$ -	$ 4,312
Bank related	14,275	589	128	14,992
Communication	16,539	1,437	220	18,196
Contract services	-	100,127	-	100,127
Depreciation	349,358	214,907	128	564,393
Direct program expenses	205,478	-	-	205,478
Document storage	1,099	111	17	1,227
Dues and subscriptions	12,784	619	95	13,498
Equipment leasing	7,468	50	8	7,526
Healthy neighborhoods	2,870	-	-	2,870
Insurance	58,531	97,309	562	156,402
Interest	17,009	246,956	-	263,965
Land holding costs	50,549	-	-	50,549
Office supplies	12,851	781	111	13,743
Other	3,219	10,427	41	13,687
Postage	6,880	690	106	7,676
Professional services	155,527	51,917	861	208,305
Promotion and marketing	79,823	9,976	588	90,387
Provision for credit losses (recoveries)	-	8,627	-	8,627
Rent and utilities	85,550	85,651	1,318	172,519
Repairs and maintenance	-	140,932	-	140,932
Salaries, benefits and bonuses	1,507,316	52,442	46,316	1,606,074
Software	48,286	790	172	49,248
Taxes	1,295	233,099	6	234,400
Training	20,601	688	106	21,395
Travel	30,984	506	78	31,568
Total	$ 2,688,292	$ 1,262,943	$ 50,861	$ 4,002,096

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

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,029,464	$ 889,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	766,346	578,128
Provision for credit losses	67,160	-
Change in operating assets and liabilities:		
Accounts receivable	65,684	(23,260)
Grants receivable	(212,425)	273,189
Interest receivable	633	(995)
Prepaid expenses	5,652	(21,785)
Accounts payable and accrued expenses	398,117	5,273
Prepaid rent	(658)	15,967
Loan servicing payables	7,976	(258,420)
Escrow and contractual obligations	(1,447)	23,204
Refundable advances	638,400	284,533
Net cash provided by operating activities	2,764,902	1,765,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan originations and principal collections, net	(1,197,807)	257,652
Payments on construction in progress	(2,764,359)	(4,270,463)
Purchases of property and equipment	-	(130,560)
Net cash used in investing activities	(3,962,166)	(4,143,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(509,463)	(685,397)
Payments on construction loan	-	(157,500)
Payments for debt issuance costs	(113,989)	(50,557)
Proceeds from line of credit	52,499	-
Proceeds from construction loan	917,803	-
Proceeds from long-term debt	581,128	2,816,210
Net cash provided by financing activities	927,978	1,922,756
NET DECREASE IN CASH AND CASH EQUIVALENTS	(269,286)	(454,806)
CASH AND CASH EQUIVALENTS, beginning of year	6,469,352	6,924,158
CASH AND CASH EQUIVALENTS, end of year	$ 6,200,066	$ 6,469,352
Cash and cash equivalents	$ 3,707,887	$ 4,793,189
Restricted cash	2,492,179	1,676,163
Total cash and cash equivalents and restricted cash	$ 6,200,066	$ 6,469,352
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 631,586	$ 376,268
NONCASH INVESTING ACTIVITIES		
Lease liability arising from obtaining right-of-use assets	$ -	$ 366,762

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

Note 1. Significant Accounting Policies

The accounting and reporting policies of Chattanooga Neighborhood Enterprise, Inc. (CNE) and subsidiaries (the Organization) conforms 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 financial position and results of operations of the Organization are summarized as follows:

Nature of operations:

CNE was incorporated in Tennessee in 1986 as a non-profit corporation. CNE was established to preserve, rehabilitate, and prevent deterioration of rental units and single-family dwellings; to encourage home ownership and rehabilitation through below-market loans; to develop a training program for in-home maintenance and repair; to promote neighborhood beautification and self-improvement projects; to promote neighborhood revitalization; and to promote the enforcement of uniform building codes and eliminate all substandard housing in the City of Chattanooga and Hamilton County, Tennessee.

The Organization operates the following programs:

Homeownership preservation – The Organization's Homeownership Center offers counseling services to assist local families to avoid foreclosure and sustain their homeownership.

Homeownership promotion – The Organization offers homebuyer education and counseling to persons interested in achieving homeownership.

Lending and loan origination – CNE is a Certified Community Development Institution (CDFI). The Organization originates down payment loans to low and moderate-income households to assist with down payment and closing costs. These are second mortgages behind a mortgage that CNE brokers to various mortgage companies to finance the purchase of single-family residences in Chattanooga and Hamilton County.

Loan servicing – The Organization serves as a loan underwriting agent for down payment and home repair loans. The Organization services these loans and loans funded by other entities.

Neighborhood engagement – The Organization helps residents and other community stakeholders to develop leadership to build a stronger community. Activities offered include development of neighborhood groups, leadership skill development training courses, youth activity and training groups, community fairs, and other opportunities to encourage a renewed energy, expertise, and focus in the community.

Note 1. Significant Accounting Policies (continued)

Property management – The Organization provides property management services for its rental housing portfolio.

Real estate development – The Organization is involved in developing single-family and multi-family housing in the City of Chattanooga. Single-family developments are sold for homeownership. Rental developments become part of the Organization's rental portfolio.

Small dollar loans – The Organization provides a small dollar loan program as an alternative to payday loans. The Organization offers affordable short-term loans through area employers as a benefit to their employees.

Principles of consolidation:

The consolidated financial statements include the accounts of Chattanooga Neighborhood Enterprise, Inc., its rental division, CNE Rentals, and its wholly-owned entities: Chattanooga Affordable Rental Enterprise V, Inc. (CARE); CNE Affordable Housing Limited Partnership V (CAHLP V); Highland Park, LLC (Highland Park); Mai Bell Apartments, LLC (Mai Bell); and CNE Homes, LLC (CNE Homes). All material intercompany accounts and transactions have been eliminated in consolidation.

CARE, a Tennessee corporation, was formed on January 15, 1997, to serve as a general partner in CAHLP V and to help organize and syndicate low-income housing tax credits on CAHLP V. As of and for the year ended June 30, 2024 and 2023, there was no activity for CARE.

CAHLP V, a Tennessee limited partnership, was formed on November 21, 1996, to construct, own, and operate CNE Affordable Housing located in Chattanooga, Tennessee. The property consists of 20 multi-family housing units. CNE serves as the limited partner and CARE serves as the general partner.

Highland Park, a Tennessee limited liability company, was formed on July 7, 2014, to acquire vacant and blighted property in the Highland Park and Ridgedale neighborhoods of Chattanooga for the purpose of neighborhood development. CNE acquired 34 parcels of vacant and blighted property with the intention of developing a mix of single-family and urban multi-family structures to provide high quality residential opportunities. As of June 30, 2024, CNE has developed 32 of them into single family or rental housing. The remaining two lots are held for future development. CNE serves as the single member of Highland Park.

Mai Bell, a Tennessee limited liability company, was formed on August 17, 2016, to construct, own, and operate Mai Bell Apartments located in the Highland Park neighborhood. The property consists of multi-family housing units. CNE serves as the single member of Mai Bell.

Note 1. Significant Accounting Policies (continued)

Principles of consolidation: (continued)

CNE Homes, a Tennessee limited liability company, was formed on May 8, 2024, to create manufactured housing opportunities for low income families in the Chattanooga area. CNE Homes will focus on the full production cycle of manufactured housing with plans of providing low income individuals with additional options for home ownership.

Use of estimates:

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

Basis of presentation:

To ensure observances of limitations and restrictions placed on the use of resources available to the Organization, 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 Organization 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 Organization recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, 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 ASC is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services.

Note 1. Significant Accounting Policies (continued)

Revenue recognition: (continued)

Revenues from grants and contributions, rental income, loan interest and fees, and loan servicing fees are outside the scope of ASC 606. The Organization's services that fall within the scope of ASC 606 include rental activity fees, education and counseling revenue, management fees, and other income. See Note 13 for further discussion on the revenue sources within the scope of ASC 606.

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. Gain and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. 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.

Contributions are recorded as revenue in the period received or upon the receipt of an unconditional promise to give. Conditional contributions 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 Organization. There were no contributions of appreciated or nonfinancial assets for the years ended June 30, 2024 and 2023.

Functional expenses:

Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates of time and effort made by management.

Cash:

For purposes of the consolidated cash flows, the Organization considers all cash and highly-liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is held for specific purposes. The restricted cash balance consists of funds held in trust from the Organization's loan servicing activity, including escrow deposits for payment of borrower property taxes and insurance, refundable advances, tenant security deposits, and proceeds for real estate repairs, improvements, and development.

Note 1. Significant Accounting Policies (continued)

Concentrations of credit and market risk:

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents and loans receivable. The Organization places its cash and cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. At times, deposits may exceed federally insured limits. The Organization uses Insured Cash Sweep Services to maximize insurance coverage, while earning interest on cash balances. The Organization has not experienced any losses on its cash and cash equivalents. The Organization's loans are generally secured by specific items of collateral, including real property. Lending activity is concentrated within the geographic boundaries of Hamilton County, Tennessee. Although the Organization has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on economic conditions in debtors’ markets.

Accounts and other receivables:

Accounts and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to credit loss expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no balance in the valuation allowance as of June 30, 2024 and 2023, since management is of the opinion that all accounts and other receivables at year end are fully collectible.

Loans:

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances less the allowance for credit losses (ACL). Interest income is accrued on the outstanding principal balance. Loan origination fees and origination costs are recognized at the time the loan is placed on the books.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. Past due status is based on contractual terms of the loan. Loans are charged-off if collection of principal and interest is considered uncollectible. All interest accrued but not collected for loans that are charged-off is reversed against interest income unless management believes that the accrual of interest is recoverable through the liquidation of collateral.

Note 1. Significant Accounting Policies (continued)

Allowance for credit losses:

Under the current expected credit loss model, the ACL on loans is a valuation allowance estimated at each consolidated statement of financial position date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loan losses are charged against the allowance when management believes the collection of a loan's principal is unlikely. Subsequent recoveries are credited to the allowance.

The Organization estimates the ACL on loans based on the underlying loans' amortized cost basis, which is the amount at which the loan is originated, adjusted for collection of cash and charge-offs. In the event that collection of principal becomes uncertain, the Organization has policies in place to reverse accrued interest in a timely manner. Therefore, the Organization has made a policy election to exclude accrued interest from the measurement of ACL. Accrued interest receivable on loans is reported separately on the consolidated statements of financial position and totaled $6,804 and $7,437 at June 30, 2024 and 2023, respectively.

Expected credit losses are reflected in the allowance for credit losses through a charge to provision for credit losses. The loan portfolio represents a large group of smaller balance homogeneous loans that are collectively evaluated. The Organization measures expected credit losses of loans on a collective (pool) basis, with loans that share similar risk characteristics. Therefore, the Organization does not separately identify individually evaluated loans for disclosure. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Organization.

The Organization's methodologies for estimating the ACL consider available relevant information about the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions over a period that has been determined to be reasonable and supportable, to the identified pools of loans with similar risk characteristics for which the historical loss experience was observed.

Note 1. Significant Accounting Policies (continued)

Allowance for loan losses:

Prior to the adoption of Accounting Standards Update (ASU) 2016-13, the allowance for loan losses (ALL) was an amount that represented a reserve for probable incurred losses in the loan portfolio. The ALL was evaluated on a regular basis by management and was based upon management's periodic review of various risks in the loan portfolio highlighted by historical experience, the nature and volume of the loan portfolio, overall portfolio quality, estimated value of any underlying collateral, and prevailing economic conditions that may affect the borrower's ability to pay. This evaluation was inherently subjective as it required estimates that were susceptible to significant revision as more information became available. The ALL evaluation did not include the effects of expected losses on specific loans or groups of loans that were related to future events or expected changes in economic conditions.

The ALL consisted of specific, general, and unallocated components. When required, the specific component included loans management considered impaired. For such loans that were classified as impaired, an allowance was established when the discounted cash flows, collateral value, or observable market price of the impaired loan was lower than the carrying value of that loan. The general component covered non-classified loans and was based on historical loss experience adjusted for qualitative factors.

The Organization segregated the loan portfolio by type of loan and utilized this segregation in evaluating exposure to risks within the portfolio. In establishing allowances, management considered historical loan loss experience but adjusted this data with a significant emphasis on data such as current loan quality trends, current economic conditions, and other factors in the markets where the Organization operates.

Property and equipment:

Rental property and furniture and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective classes of assets using the straight-line method. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

The Organization has entered into various contracts for the construction of rental properties. At June 30, 2024 and 2023, the remaining amount on these contracts for future payment on construction of rental properties totaled $12,232,456 and $2,530,199, respectively.

Note 1. Significant Accounting Policies (continued)

Leases:

Leases are classified as operating or finance leases at the lease commencement date. The Organization records leases on the consolidated statements of financial position in the form of a lease liability for the present value of future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon the risk free rate or the implicit rate, when known, as of the date of commencement or renewal. The Organization does not record leases on the consolidated statements of financial position that are classified as short-term (less than one year).

At lease inception, the Organization determines the lease term by considering the minimum lease term and all optional renewal periods that the Organization is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The Organization's leases do not contain residual value guarantees or material variable lease payments that will cause the Organization to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense is included in rent and utilities on the Organization's consolidated statements of functional expenses. The Organization has elected to treat property leases that include both lease and non-lease components as a single component and account for it as a lease.

Debt issuance costs:

Debt issuance costs are considered a reduction of the related debt and amortized over the term of the debt through a charge to interest expense using the straight-line method. Amortization of debt issuance costs was $21,885 and $8,800 for the years ended June 30, 2024 and 2023, respectively.

Income tax status:

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

Note 1. Significant Accounting Policies (continued)

Income tax status: (continued)

The Organization accounts for income taxes in accordance with income tax accounting guidance in ASC Topic 740. The Organization recognizes deferred tax assets if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The Organization 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 Organization's non-taxable status would not have a material effect on the Organization's consolidated financial statements. With few exceptions, the Organization is no longer subject to tax examinations by tax authorities for years before 2020.

Recent accounting pronouncements:

On July 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326), as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivable and loans receivable.

The Organization adopted ASC 326 using the modified retrospective method. Results for reporting periods beginning after July 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. There was no financial impact related to the implementation of this ASU.

Subsequent events:

Management performed an evaluation of subsequent events through November 13, 2024, the date these consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	$3,707,887	$4,793,189
Accounts receivable	26,427	92,111
Grants receivable	286,239	73,814
Interest receivable	6,804	7,437
	$4,027,357	$4,966,551

Note 2. Liquidity and Availability (continued)

As part of the Organization'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, the Organization maintains financial assets to meet ninety days of operating expenses.

Note 3. Restricted Cash

As of June 30, 2024 and 2023, restricted cash consisted of amounts to or held on behalf of the following organizations, entities, municipalities, or programs:

	2024	2023
Center Centre	$ 60,629	$ 38,285
Chattanooga Opportunity Fund	907	3,356
City of Chattanooga	265,818	274,362
Lyndhurst Foundation and Benwood Foundation	1,383,589	884,637
Loan collections	42,002	88,879
Down payment assistance	2,495	987
Security deposits	113,926	104,358
Real estate development funds	504,784	163,976
Taxes and escrow	109,181	117,323
Other miscellaneous	8,848	-
Total	$2,492,179	$1,676,163

Note 4. Loans Receivable and Allowance for Credit Losses

Portfolio segmentation:

At June 30, 2024 and 2023, the Organization's loans consist of the following:

	2024	2023
Real estate mortgage loans:		
Amortizing loans	$1,984,321	$2,186,359
Title transfer loans	1,483,908	209,890
Small dollar loans	152,149	32,957
Total loans	3,620,378	2,429,206
Less - Allowance for credit losses	(465,000)	(404,475)
Net loans	$3,155,378	$2,024,731

For purposes of the disclosures required pursuant to the adoption of ASC 326, the loan portfolio has one segment that has been further disaggregated into classes. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses.

Note 4. Loans Receivable and Allowance for Credit Losses (continued)

Portfolio segmentation: (continued)

The following describes risk characteristics relevant to the portfolio classes:

Real Estate Mortgage Loans: Provides individuals in low to moderate-income households with first mortgage loans and loans to assist with down payment and closing costs on the finance of their primary residence. These loans are repaid through the borrower's income or sale of the property. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

Small Dollar Loans: Provides signature loans to employees of participating employers. These loans are repaid through payroll deductions. Loans in this portfolio are sensitive to unemployment and other key consumer economic measures.

Credit risk management:

Risk management focuses on underwriting new loans, monitoring the credit, and managing customers who become delinquent in their payments. All loans are individually underwritten, approved, and monitored. Credit quality and trends in the loan portfolio are measured and monitored regularly. Past due reports are reviewed by management and the Board of Directors. To ensure problem credits are identified on a timely basis, specific loans are assessed based upon payment status.

The following table details activity in the allowance for credit losses for year ended June 30, 2024 and 2023:

	2024	2023
Balance, beginning of year	$404,475	$441,924
Provision for credit losses	67,160	-
Loans charged-off	(6,635)	(37,449)
Total	$465,000	$404,475

Note 4. Loans Receivable and Allowance for Credit Losses (continued)

Past due loans:

A loan is considered past due if any required principal and interest payments have not been received as of the date such payments were required to be made under the terms of the loan agreement. The following table presents the aging of the recorded investment in loans as of June 30, 2024 and 2023:

	2024	2023
Past due 30 to 59 days	$ 142,756	$ 103,603
Past due 60 to 89 days	36,718	73,962
Past due 90 days or more	213,311	173,564
Total past due loans	392,785	351,129
Current loans	3,227,593	2,078,077
Total loans	$3,620,378	$2,429,206

There were no nonaccrual loans as of June 30, 2024 and 2023.

Note 5. Loan Underwriting and Servicing Activities

The Organization serves as a loan underwriting agent for other entities who support the Organization's operating mission and provides loan servicing activities for such loans. Management has determined that the servicing rights associated with these loans were immaterial and has not been recorded as of June 30, 2024 and 2023. These loans are not included in the Organization's consolidated statements of financial position. As of June 30, 2024 and 2023, the loans the Organization was servicing are as follows:

	2024	2023
Center Centre	$ 331,868	$ 344,216
Chattanooga Opportunity Fund	-	18,163
City of Chattanooga	5,727,765	6,284,725
Total	$6,059,633	$6,647,104

Note 6. Refundable Advances

Grant Advances:

A portion of the Organization's revenue is derived from grants that are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts received are recognized as revenue when performance requirements are met and/or expenditures have been incurred in compliance with specific grant provisions. Amounts received prior to such conditions being met are reported as refundable advances on the consolidated statements of financial position.

During 2020, the Organization was awarded a $320,000 grant from the City of Chattanooga as part of the HOME Investment Partnership funds granted by the U.S. Department of Housing and Urban Development (HUD) under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990. The grant is conditional upon the Organization providing eight affordable rental units at one of its multi-family rental properties for 20 years. The grant will be recognized at the end of the 20 year compliance period. Amounts received prior to the end of the compliance period are reported as refundable advances on the consolidated statements of financial position. As of June 30, 2024 and 2023, the refundable advance balance for this grant was $320,000.

During 2021, the Organization was awarded a $200,000 grant from the City of Chattanooga as part of the HOME Investment Partnership funds granted by HUD under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990. The grant is conditional upon the Organization providing five affordable rental units at one of its multi-family rental properties for 20 years. The grant will be recognized at the end of the 20 year compliance period. Amounts received prior to the end of the compliance period are reported as refundable advances on the consolidated statements of financial position. As of June 30, 2024 and 2023, the refundable advance balance for this grant was $200,000.

During 2022, the Organization was awarded a $360,000 grant from the City of Chattanooga as part of the HOME Investment Partnership funds granted by HUD under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990. The grant is conditional upon the Organization providing nine affordable rental units at one of its multi-family rental properties for 20 years. The grant will be recognized at the end of the 20 year compliance period. Amounts received prior to the end of the compliance period are reported as refundable advances on the consolidated statements of financial position. As of June 30, 2024 and 2023, the refundable advance balance for this grant was $331,200.

Note 6. Refundable Advances (continued)

During 2024, the Organization was awarded a $1,000,000 grant from the City of Chattanooga as part of the Coronavirus State and Local Fiscal Recovery Funds granted by the U.S. Department of the Treasury authorized by the American Rescue Plan Act (ARPA). The grant is conditional upon the Organization providing a total of 41 affordable rental units at its two developments with 82 total units for 20 years. The grant will be recognized at the end of the 20 year compliance period. Amounts received prior to the end of the compliance period are reported as refundable advances on the consolidated statements of financial position. As of June 30, 2024 and 2023, the refundable advance balance for this grant was $400,000 and $0, respectively.

During 2024, the Organization was awarded a $500,000 grant from the City of Chattanooga as part of the Chattanooga Affordable Housing Fund. The grant is conditional upon the Organization providing a total of 12 affordable rental units at its newly constructed development at 621 E. Martin Luther King Blvd. for 20 years. The grant will be recognized at the end of the 20 year compliance period. Amounts received prior to the end of the compliance period are reported as refundable advances on the consolidated statements of financial position. As of June 30, 2024 and 2023, the refundable advance balance for this grant was $240,000 and $0, respectively.

Note 7. Long-Term Debt

At June 30, 2024 and 2023, debt consists of the following:

	2024	2023
Note payable to First Horizon Bank; variable interest rate at prime minus 4%; fixed monthly principal payments of $522 plus accrued interest through maturity date of February 5, 2032, when remaining principal and accrued interest are due in full; collateralized by property	$ 152,443	$ 158,707
Note payable to SmartBank; variable interest rate at prime minus 4%, not to exceed 2.5%; variable monthly payments of principal and interest though maturity date of September 5, 2027, when remaining principal and interest are due in full; collateralized by third party loans	283,885	368,561
Note payable to SmartBank; variable interest rate at prime minus 4%; variable monthly payments of principal and interest through maturity date of March 7, 2034, when remaining principal and interest are due in full; collateralized by property	2,315,535	2,376,199

Note 7. Long-Term Debt (continued)

	2024	2023
Note payable to SmartBank; variable interest rate at prime minus 4%; variable monthly payments of principal and interest through maturity date of November 22, 2034, when remaining principal and interest are due in full; collateralized by property	1,658,715	1,699,891
Note payable to FirstBank; variable interest rate at prime minus 4%; variable monthly payments of principal and interest through maturity date of May 8, 2035, when remaining principal and accrued interest are due in full; collateralized by property	430,758	441,376
Note payable to BrightBridge Inc.; variable interest rate at prime minus 3% with a 1% floor; monthly interest only payments through April 1, 2023; fixed monthly principal payments of $3,085 plus accrued interest from May 1, 2023 through August 1, 2023; fixed monthly principal payments of $1,916 plus accrued interest from October 1, 2023 through April 1, 2024; fixed monthly principal payments of $9,192 plus accrued interest beginning May 1, 2024 through maturity date of April 23, 2034,when remaining principal and accrued interest are due in full; collateralized by property and all other assets of CNE	4,421,578	3,881,503
Note payable to SmartBank; variable interest rate at prime minus 4%, not to exceed 3%; monthly interest only payments through July 25, 2022; variable monthly payments of principal and interest beginning August 25, 2022 through maturity date of July 25, 2035, when remaining principal and accrued interest are due in full; collateralized by property and assignment of rent	572,523	588,444
Note payable to SmartBank; variable interest rate at prime minus 4%, not to exceed 3%; monthly interest only payments through February 19, 2023; variable monthly payments of principal and interest beginning March 19, 2023 through maturity date of November 19, 2036, when remaining principal and accrued interest are due in full; collateralized by property and assignment of rent	259,692	266,666

Note 7. Long-Term Debt (continued)

	2024	2023
Note payable to SmartBank; variable interest rate at prime minus 4%, not to exceed 3%; monthly interest only payments through February 19, 2023; variable monthly payments of principal and interest beginning March 19, 2023 through maturity date of November 19, 2036, when remaining principal and accrued interest are due in full; collateralized by property and assignment of rent	259,692	266,666
Note payable to SmartBank; variable interest rate at prime minus 4%, not to exceed 3%; monthly interest only payments through February 19, 2023; variable monthly payments of principal and interest beginning March 19, 2023 through maturity date of November 19, 2036, when remaining principal and accrued interest are due in full; collateralized by property and assignment of rent	259,692	266,665
Note payable to First Bank; variable interest rate at prime minus 4%; variable monthly payments of principal and interest through maturity date of March 18, 2037, when remaining principal and accrued interest are due in full; collateralized by property	390,948	478,381
Note payable to Pinnacle Bank; variable interest rate at prime minus 4%; variable monthly payments of principal and interest through maturity date of April, 18, 2032, when remaining principal and accrued interest are due in full; collateralized by property	357,573	403,221
Notes payable to Southeast Tennessee Development District; fixed interest rate at 1%; quarterly interest only payments with principal and accrued interest due upon sale of collateralized land	18,462	18,462
Note payable to First Horizon Bank; variable interest rate at prime minus 4%; fixed monthly principal payments of $7,924 plus accrued interest through maturity date of August 5, 2031, when remaining principal and accrued interest are due in full; collateralized by property	2,419,446	2,514,534
Total debt	13,800,942	13,729,276

Note 7. Long-Term Debt (continued)

	2024	2023
Unamortized debt issuance costs	(260,336)	(168,231)
	13,540,606	13,561,045
Less: current portion of long-term debt	(534,372)	(510,833)
Long-term debt	$13,006,234	$13,050,212

Aggregate maturities or payments required on principal under the debt agreements for the following five years ended and thereafter are as follows:

2025	$ 534,372
2026	525,354
2027	535,169
2028	466,833
2029	459,561
Thereafter	11,279,653
	$13,800,942

The Organization is subject to compliance with certain nonfinancial and financial debt covenant requirements in accordance with the debt agreements. At June 30, 2024, the Organization was in compliance with all required debt covenants except for the annually calculated debt service coverage ratio required on the note payable to First Horizon Bank with a balance of $152,443. The Organization received a waiver on this debt service coverage ratio covenant violation as of year end June 30, 2024.

Note 8. Line of Credit

During June 2023, the Organization established a $500,000 line of credit with SouthEast Bank. This line of credit has a variable rate of interest equal to prime minus 4% with an interest rate ceiling of 3%. Interest only payments are due monthly until maturity date on June 13, 2026, when all outstanding principal and accrued unpaid interest is due. This line of credit is collateralized by loans receivable. As of June 30, 2024, the principal balance on this line of credit was $52,499. No amounts were outstanding under this line of credit as of June 30, 2023.

Note 9. Construction Loans

In August 2022, the Organization obtained a construction loan from Builtwell Bank for a maximum amount of $2,216,900. The loan, which is secured by property and assignment of rents and leases, bears a variable interest rate at prime minus 4%. Monthly interest only payments are required until February 15, 2025, at which monthly principal and interest payments, based upon a twenty-five year amortization, shall be due and payable until maturity date on July 14, 2037, at which outstanding principal and accrued interest are due in full. As of June 30, 2024 and 2023, the principal balance outstanding on this construction loan was $917,803 and $0, respectively.

Note 10. Net Assets With Donor Restrictions

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

	2024	2023
Subject to expenditure for a specified purpose or after a stipulated period of time:		
Real estate development and preservation	$3,888,488	$2,727,064
Community engagement	51,523	149,597
Lending and loan origination	2,495	-
Small dollar loan program personnel	-	2,399
Total net assets with donor restrictions	$3,942,506	$2,879,060

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	2024	2023
Restricted cash	$1,472,265	$ 884,637
Construction in progress	2,470,241	1,994,423
Total net assets with donor restrictions	$3,942,506	$2,879,060

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
Purpose restriction accomplished	$1,966,720	$473,381
Total net assets released from restriction	$1,966,720	$473,381

Note 11. Leases

A lease is defined as a contract, or part of a contract, that covers the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. On July 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842) and all subsequent ASUs that modified Topic 842. For the Organization, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Organization is the lessee.

Lessee Accounting:

The Organization leases real estate property for office space with terms extending through August 2029. The lease is classified as an operating lease. With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated statements of financial position as a right-of-use (ROU) asset and a corresponding lease liability. The Organization applied the exemption for short-term leases with a term of less than one year and therefore does not recognize a lease liability or right-of-use asset on the consolidated statements of financial position but instead recognizes lease payments as an expense over the lease term as appropriate.

The following table represents the consolidated statements of financial position classification of the Organization's ROU asset and lease liability. The Organization elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated statement of financial position.

Lease Right of Use Asset	Classification on Consolidated Statement of Financial Position	June 30, 2024	June 30, 2023
Operating Lease ROU Asset	Right-of-use asset	$271,977	$319,989

Lease Right of Use Liability	Classification on Consolidated Statement of Financial Position	June 30, 2024	June 30, 2023
Operating Lease Liability	Current portion of lease liability and long-term lease liability	$281,847	$324,924

Note 11. Leases (continued)

Lessee Accounting: (continued)

The calculated amount of the ROU asset and lease liability in the table above is impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Organization's lease agreement includes an option to renew at the Organization's discretion. If at lease inception, the Organization considers the exercising of a renewal option to be reasonably certain, the Organization will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is not determinable, the Organization elected to use the risk free rate over a similar term as the discount rate. For operating leases existing prior to July 1, 2022, the rate for the remaining lease term as of July 1, 2022 was used.

	June 30	
	2024	2023
Weighted-Average		
Remaining lease term for operating lease	5.17 years	6.17 Years
Weighted-Average		
Discount rate for operating lease	2.92%	2.92%

Future undiscounted lease payments for operating leases with initial or remaining terms of one year or more as of June 30, 2024, were as follows:

	Operating Leases
2025	$ 57,759
2026	58,938
2027	58,938
2028	58,938
2029	58,938
Thereafter	9,823
Total undiscounted lease payments	303,334
Amounts representing interest	(21,487)
Net lease liability	$281,847

Total lease expense for the years ended June 30, 2024 and 2023 was $56,800 and $56,800, respectively.

Note 12. Employee Benefit Plan

The Organization has a voluntary salary reduction plan under the provisions of Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees who normally work 20 hours per week or more are eligible to participate in the plan upon hire with an entry date corresponding with the first day of the month coinciding with or following the date of hire. Employer contributions are discretionary and totaled $58,054 and $54,394 for the years ending June 30, 2024 and 2023, respectively.

Note 13. Revenue from Contracts with Customers

The following table presents the Organization's sources of revenues for the years ended June 30, 2024 and 2023:

	2024	2023
Grants and contributions (a)	$4,190,388	$2,728,260
Rental income (a)	2,061,846	1,652,914
Rental activity fees	91,353	72,451
Loan interest and fees (a)	219,741	138,570
Loan servicing fees (a)	-	150,000
Education and counseling revenue	29,361	31,140
Management fees	68,958	50,706
Other income	204,617	68,030
Total revenues	$6,866,264	$4,892,071

(a) Not within scope of ASC 606

Rental Activity Fees: Fees relating to rental activity consists primarily of application fees, late fees, non-sufficient funds fees, and other fees. Rental activity fees are recognized at a point in time concurrent with the activity. Payment for rental activity fees is received when the activity occurs or in the following month through a direct charge to the customer's account.

Education and Counseling Revenue: Revenue from education and counseling is recognized at a point in time as services are provided. Payment for education and counseling revenue is primarily received when the service is performed.

Management Fees: Revenue from management fees is recognized either over time as monthly management services are provided, or at a point in time concurrent with the service. Payment for management fees is received periodically.

Other Income: Other income is generally recognized at a point in time as the event occurs.

Note 14. Contingencies

From time to time, the Organization is involved in certain claims arising from normal business activities. Management believes that the resolution of these matters will not have a material effect on the Organization's financial position, change in net assets, or cash flows.

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2024

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	CNE Homes	Eliminations	Consolidated
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 3,056,471	$ 221,213	$ 90,958	$ 42,964	$ 296,281	$ -	$ -	$ 3,707,887
Restricted cash	2,373,575	77,221	14,261	-	27,122	-	-	2,492,179
Accounts receivable	132	16,112	5,801	-	4,382	-	-	26,427
Grants receivable	286,239	-	-	-	-	-	-	286,239
Interest receivable	6,804	-	-	-	-	-	-	6,804
Due from affiliates	363,142	-	1,299	108,320	-	295,616	768,377	-
Prepaid expenses	57,296	38,221	2,679	-	9,406	-	-	107,602
Total current assets	6,143,659	352,767	114,998	151,284	337,191	295,616	768,377	6,627,138
NONCURRENT ASSETS								
Due from affiliates	734,500	-	-	-	-	-	734,500	-
Loans receivable, net of allowances for credit losses	3,155,378	-	-	-	-	-	-	3,155,378
Construction in progress	3,467,949	-	-	-	-	-	-	3,467,949
Property and equipment at cost:								
Land	1,663,194	-	15,341	36,007	157,833	-	-	1,872,375
Rental property held and used	15,176,382	-	1,240,120	-	4,545,492	-	-	20,961,994
Furniture and fixtures	67,874	-	-	-	16,998	-	-	84,872
Right-of-use asset	271,977	-	-	-	-	-	-	271,977
Less accumulated depreciation	(1,865,139)	-	(533,730)	-	(1,123,054)	-	-	(3,521,923)
Property and equipment, net	15,314,288	-	721,731	36,007	3,597,269	-	-	19,669,295
Total noncurrent assets	22,672,115	-	721,731	36,007	3,597,269	-	734,500	26,292,622
Total assets	$ 28,815,774	$ 352,767	$ 836,729	$ 187,291	$ 3,934,460	$ 295,616	$ 1,502,877	$ 32,919,760
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts payable and accrued expenses	$ 438,682	$ 109,187	$ 12,167	$ -	$ 43,015	$ -	$ -	$ 603,051
Prepaid rent	-	44,673	3,040	-	14,950	-	-	62,663
Due to affiliates	403,936	86,710	72,014	-	205,717	-	768,377	-
Loan servicing payables	108,363	-	-	-	-	-	-	108,363
Escrow and contractual obligations	96,459	75,157	9,564	-	27,162	-	-	208,342
Refundable advances	213,675	-	-	-	-	-	-	213,675
Current portion of lease liability	50,325	-	-	-	-	-	-	50,325
Current portion of long-term debt	375,155	-	45,667	18,462	95,088	-	-	534,372
Total current liabilities	1,686,595	315,727	142,452	18,462	385,932	-	768,377	1,780,791
NONCURRENT LIABILITIES								
Refundable advances	1,491,200	-	-	-	-	-	-	1,491,200
Long-term lease liability	231,522	-	-	-	-	-	-	231,522
Line of credit	52,499	-	-	-	-	-	-	52,499
Construction loan	917,803	-	-	-	-	-	-	917,803
Long-term debt, net of unamortized debt issuance costs	10,369,970	-	311,906	-	2,324,358	-	-	13,006,234
Long-term debt, affiliates	-	-	-	-	734,500	-	734,500	-
Total noncurrent liabilities	13,062,994	-	311,906	-	3,058,858	-	734,500	15,699,258
Total liabilities	14,749,589	315,727	454,358	18,462	3,444,790	-	1,502,877	17,480,049
NET ASSETS (DEFICITS)								
Without donor restrictions	10,423,973	37,040	377,693	168,829	489,670	-	-	11,497,205
With donor restrictions	3,642,212	-	4,678	-	-	295,616	-	3,942,506
Total net assets	14,066,185	37,040	382,371	168,829	489,670	295,616	-	15,439,711
Total liabilities and net assets	$ 28,815,774	$ 352,767	$ 836,729	$ 187,291	$ 3,934,460	$ 295,616	$ 1,502,877	$ 32,919,760

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

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

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	CNE Homes	Eliminations	Consolidated
REVENUES								
Program support:								
Homeownership preservation	$ 836,192	$ -	$ -	$ -	$ -	$ -	$ -	$ 836,192
Homeownership promotion	29,302	-	-	-	-	-	-	29,302
Lending and loan origination	139,375	-	-	-	-	-	-	139,375
Loan servicing	83,147	-	-	-	-	-	-	83,147
Neighborhood engagement	47,800	-	-	-	-	-	-	47,800
Property management	271,906	-	-	-	-	-	271,906	-
Real estate development	-	-	-	-	-	-	-	-
Small dollar loan	15,773	-	-	-	-	-	-	15,773
Total program support	1,423,495	-	-	-	-	-	271,906	1,151,589
General support:								
General revenue	521,571	1,420,345	180,333	-	552,521	-	-	2,674,770
Fundraising	9,739	-	-	-	-	-	-	9,739
Total general support	531,310	1,420,345	180,333	-	552,521	-	-	2,684,509
Net assets released from restrictions	1,822,408	-	37,928	-	-	106,384	-	1,966,720
Total revenue	3,777,213	1,420,345	218,261	-	552,521	106,384	271,906	5,802,818
EXPENSES								
Direct program services:								
Homeownership preservation	771,168	-	-	-	-	-	-	771,168
Lending and loan origination	130,666	-	-	-	-	-	-	130,666
Total direct program services	901,834	-	-	-	-	-	-	901,834
Indirect program services:								
Homeownership preservation	165,061	-	-	-	-	-	-	165,061
Homeownership promotion	126,843	-	-	-	-	-	-	126,843
Lending and loan origination	331,347	-	-	-	-	-	-	331,347
Loan servicing	307,433	-	-	-	-	-	-	307,433
Neighborhood engagement	415,301	-	-	-	-	-	-	415,301
Property management	1,109,161	-	-	-	-	-	-	1,109,161
Real estate development	381,963	-	-	-	-	-	-	381,963
Small dollar loan	140,442	-	-	-	-	-	-	140,442
Total indirect program services	2,977,551	-	-	-	-	-	-	2,977,551
Total program services	3,879,385	-	-	-	-	-	-	3,879,385
Support services:								
General and administrative	88,755	1,143,103	179,790	3,316	620,463	106,384	271,906	1,869,905
Fundraising	87,510	-	-	-	-	-	-	87,510
Total support services	176,265	1,143,103	179,790	3,316	620,463	106,384	271,906	1,957,415
Total expenses	4,055,650	1,143,103	179,790	3,316	620,463	106,384	271,906	5,836,800
Change in net assets from operations	(278,437)	277,242	38,471	(3,316)	(67,942)	-	-	(33,982)
NONOPERATING ACTIVITIES								
Transfers	443,272	(443,272)	-	-	-	-	-	-
Total nonoperating activities	443,272	(443,272)	-	-	-	-	-	-
Change in net assets	164,835	(166,030)	38,471	(3,316)	(67,942)	-	-	(33,982)
NET ASSETS, beginning of year	10,259,138	203,070	339,222	172,145	557,612	-	-	11,531,187
NET ASSETS, end of year	$ 10,423,973	$ 37,040	$ 377,693	$ 168,829	$ 489,670	$ -	$ -	$ 11,497,205

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

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

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	CNE Homes	Eliminations	Consolidated
REVENUES								
Program support:								
Homeownership preservation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Homeownership promotion	-	-	-	-	-	-	-	-
Lending and loan origination	1,000,000	-	-	-	-	-	-	1,000,000
Loan servicing	-	-	-	-	-	-	-	-
Neighborhood engagement	50,681	-	-	-	-	-	-	50,681
Property management	-	-	-	-	-	-	-	-
Real estate development	1,500,000	-	-	-	-	402,000	-	1,902,000
Small dollar loan	25,000	-	-	-	-	-	-	25,000
Total program support	2,575,681	-	-	-	-	402,000	-	2,977,681
General support:								
General revenue	52,485	-		-	-	-	-	52,485
Fundraising	-	-	-	-	-	-	-	-
Total general support	52,485	-	-	-	-	-	-	52,485
Net assets released from restrictions	(1,822,408)	-	(37,928)	-	-	(106,384)	-	(1,966,720)
Total revenue	805,758	-	(37,928)	-	-	295,616	-	1,063,446
EXPENSES								
Direct program services:								
Homeownership preservation	-	-	-	-	-	-	-	-
Lending and loan origination	-	-	-	-	-	-	-	-
Total direct program services	-	-	-	-	-	-	-	-
Indirect program services:								
Homeownership preservation	-	-	-	-	-	-	-	-
Homeownership promotion	-	-	-	-	-	-	-	-
Lending and loan origination	-	-	-	-	-	-	-	-
Loan servicing	-	-	-	-	-	-	-	-
Neighborhood engagement	-	-	-	-	-	-	-	-
Property management	-	-	-	-	-	-	-	-
Real estate development	-	-	-	-	-	-	-	-
Small dollar loan	-	-	-	-	-	-	-	-
Total indirect program services	-	-	-	-	-	-	-	-
Total program services	-	-	-	-	-	-	-	-
Support services:								
General and administrative	-	-	-	-	-	-	-	-
Fundraising	-	-	-	-	-	-	-	-
Total support services	-	-	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-	-	-
Change in net assets from operations	805,758	-	(37,928)	-	-	295,616	-	1,063,446
NONOPERATING ACTIVITIES								
Transfers	-	-	-	-	-	-	-	-
Total nonoperating activities	-	-	-	-	-	-	-	-
Change in net assets	805,758	-	(37,928)	-	-	295,616	-	1,063,446
NET ASSETS, beginning of year	2,836,454	-	42,606	-	-	-	-	2,879,060
NET ASSETS, end of year	$ 3,642,212	$ -	$ 4,678	$ -	$ -	$ 295,616	$ -	$ 3,942,506

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

STATEMENT OF ACTIVITIES - RENTAL ENTITIES
Year Ended June 30, 2024

	CNE Rentals	CAHLP V	Highland Park	Mai Bell	Total
REVENUES					
Rental income	$ 1,369,427	$ 174,227	$ -	$ 518,192	$2,061,846
Rental activity fees	50,918	6,106	-	34,329	91,353
Total revenue	1,420,345	180,333	-	552,521	2,153,199
EXPENSES					
Bad debt (recoveries)	37,178	-	-	11,313	48,491
Contract and professional services	89,252	15,959	2,290	65,986	173,487
Depreciation	*	46,614	-	164,057	210,671
Insurance and taxes	240,718	32,967	841	108,450	382,976
Interest	405,410	-	185	112,123	517,718
Management fees	183,741	23,325	-	64,840	271,906
Other	2,525	105	-	600	3,230
Promotion and marketing	5,323	-	-	-	5,323
Utilities	37,045	10,591	-	38,246	85,882
Repairs and maintenance	141,911	50,229	-	54,848	246,988
Total expenses	1,143,103	179,790	3,316	620,463	1,946,672
Change in net assets from operations	$ 277,242	$ 543	$ (3,316)	$ (67,942)	$ 206,527

* Depreciation expense in the amount of $522,760 for rental properties held and used is presented within CNE's statement of activities.

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2024

Federal Grantor/Pass-Through Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
CDBG - Entitlement Grants Cluster:			
Passed through City of Chattanooga, Tennessee			
Community Development Block Grants/Entitlement Grants	14.218	N/A	$ 308,456
Total CDBG - Entitlement Grants Cluster			308,456
Total U.S. Department of Housing and Urban Development			308,456
U.S. DEPARTMENT OF THE TREASURY			
Passed through NeighborWorks America			
Congressional Appropriations	21.U01; Public Law 117-328	N/A	16,830
Passed through NeighborWorks America			
Congressional Appropriations	21.U02; Public Law 117-103	N/A	783
Passed through NeighborWorks America			
Congressional Appropriations	21.U03; Public Law 116-94	N/A	5,194
Passed through NeighborWorks America			
Congressional Appropriations	21.U04; Public Law 118-42	N/A	307,435
Passed through NeighborWorks America			
Congressional Appropriations	21.U05; Public Law 114-117	N/A	29,000
Passed through NeighborWorks America			
Congressional Appropriations	21.U06; Public Law 118-35	N/A	5,500
Passed through NeighborWorks America			
Congressional Appropriations	21.U07; Public Law 116-9	N/A	20,219
Total Passed through NeighborWorks America			384,961
Passed through State of Tennessee			
COVID-19-Emergency Rental Assistance Program	21.023	N/A	499,540
Total U.S. Department of the Treasury			884,501
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,192,957

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2024

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3. Indirect Cost Rate

The Organization elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Payments to Subrecipients

There were no payments made to subrecipients during the year ended June 30, 2024.

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 Directors
Chattanooga Neighborhood
Enterprise, 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries (a nonprofit organization), 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 November 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 entity's 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.

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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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' 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 Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chattanooga Neighborhood Enterprise, Inc. and subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 13, 2024

Independent Auditor's Report on Compliance for Each Major Program and

on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Chattanooga Neighborhood
Enterprise, Inc.
Chattanooga, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chattanooga Neighborhood Enterprise, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Chattanooga Neighborhood Enterprise, Inc.'s major federal programs for the year ended June 30, 2024. Chattanooga Neighborhood Enterprise, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Chattanooga Neighborhood Enterprise, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chattanooga Neighborhood Enterprise, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Chattanooga Neighborhood Enterprise, Inc.'s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chattanooga Neighborhood Enterprise, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chattanooga Neighborhood Enterprise, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chattanooga Neighborhood Enterprise, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, 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 Chattanooga Neighborhood Enterprise, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Chattanooga Neighborhood Enterprise, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Chattanooga Neighborhood Enterprise, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
November 13, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	___ Yes _X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes _X_ None Reported
Noncompliance material to consolidated financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	___ Yes _X_ No
• Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes _X_ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516 (a)?	___ Yes _X_ No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.023	Emergency Rental Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ Yes ___X___ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported