CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2023

C O N T E N T S

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, 2023 and 2022, 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, 2023 and 2022, 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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MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, 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
October 18, 2023

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,793,189	$ 4,432,909
Restricted cash	1,676,163	2,491,249
Accounts receivable	92,111	68,851
Grants receivable	73,814	347,003
Interest receivable	7,437	6,442
Prepaid expenses	113,254	91,469
Total current assets	6,755,968	7,437,923
NONCURRENT ASSETS		
Loans receivable, net of allowances for loan losses of $404,475 and $441,924, respectively	2,024,731	2,282,383
Construction in progress	6,249,719	4,241,174
Property and equipment at cost:		
Land	1,784,945	1,254,331
Rental property held and used	15,503,294	13,641,430
Furniture and fixtures	84,872	84,872
Right-of-use asset	319,989	-
Less accumulated depreciation	(2,782,396)	(2,218,003)
Property and equipment, net	14,910,704	12,762,630
Total noncurrent assets	23,185,154	19,286,187
Total assets	$ 29,941,122	$ 26,724,110
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 204,934	$ 199,661
Prepaid rent	63,321	47,354
Loan servicing payables	100,387	358,807
Escrow and contractual obligations	209,789	186,585
Refundable advances	215,275	261,942
Construction loan	-	157,500
Current portion of lease liability	43,077	-
Current portion of long-term debt	510,833	792,254
Total current liabilities	1,347,616	2,004,103
NONCURRENT LIABILITIES		
Refundable advances	851,200	520,000
Long-term lease liability	281,847	-
Long-term debt, net of unamortized debt issuance costs	13,050,212	10,679,735
Total noncurrent liabilities	14,183,259	11,199,735
Total liabilities	15,530,875	13,203,838
NET ASSETS		
Without donor restriction	11,531,187	10,826,184
With donor restriction	2,879,060	2,694,088
Total net assets	14,410,247	13,520,272
Total liabilities and net assets	$ 29,941,122	$ 26,724,110

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, 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
Property management	-	-	-
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 ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Program support:			
Homeownership preservation	$ 576,855	$ -	$ 576,855
Homeownership promotion	37,132	-	37,132
Lending and loan origination	276,591	-	276,591
Loan servicing	236,429	-	236,429
Neighborhood engagement	43,081	-	43,081
Property management	-	-	-
Real estate development	43,667	600,000	643,667
Small dollar loan	3,865	12,500	16,365
Total program support	1,217,620	612,500	1,830,120
General support:			
General revenue	2,537,100	-	2,537,100
Fundraising	16,975	-	16,975
Total general support	2,554,075	-	2,554,075
Net assets released from restrictions	1,555,798	(1,555,798)	-
Total revenues	5,327,493	(943,298)	4,384,195
EXPENSES			
Direct program services:			
Homeownership preservation	524,380	-	524,380
Homeownership promotion	8,000	-	8,000
Neighborhood engagement	11,129	-	11,129
Total direct program services	543,509	-	543,509
Indirect program services:			
Homeownership preservation	149,458	-	149,458
Homeownership promotion	137,244	-	137,244
Lending and loan origination	416,584	-	416,584
Loan servicing	5,422	-	5,422
Neighborhood engagement	300,550	-	300,550
Property management	781,737	-	781,737
Real estate development	287,071	-	287,071
Small dollar loan	101,521	-	101,521
Total indirect program services	2,179,587	-	2,179,587
Total program services	2,723,096	-	2,723,096
Support services:			
General and administrative	955,340	-	955,340
Fundraising	47,411	-	47,411
Total support services	1,002,751	-	1,002,751
Total expenses	3,725,847	-	3,725,847
Change in net assets	1,601,646	(943,298)	658,348
NET ASSETS, beginning of year	9,224,538	3,637,386	12,861,924
NET ASSETS, end of year	$ 10,826,184	$ 2,694,088	$ 13,520,272

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
Bad debt (recoveries)	-	8,627	-	8,627
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
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 STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

		Support Services		
	Program Services	General and Administrative	Fundraising	Total
Administrative	$ -	$ 139	$ -	$ 139
Bad debt (recoveries)	(195,735)	24,044	-	(171,691)
Bank related	16,022	877	149	17,048
Communication	15,671	1,392	197	17,260
Contract services	-	87,033	-	87,033
Depreciation	339,095	212,060	132	551,287
Direct program expenses	543,509	-	-	543,509
Document storage	904	89	13	1,006
Dues and subscriptions	13,374	519	74	13,967
Equipment leasing	18,055	194	27	18,276
Healthy neighborhoods	652	-	-	652
Insurance	56,068	74,233	467	130,768
Interest	24,121	1,875	-	25,996
Land holding costs	44,133	-	-	44,133
Office supplies	12,342	1,021	145	13,508
Other	4,151	2,986	11	7,148
Postage	5,265	518	73	5,856
Professional services	168,408	19,272	1,411	189,091
Promotion and marketing	32,352	7,596	149	40,097
Rent and utilities	80,017	76,682	1,130	157,829
Repairs and maintenance	-	148,726	-	148,726
Salaries, benefits and bonuses	1,461,696	44,751	43,081	1,549,528
Software	56,143	1,467	207	57,817
Taxes	422	248,881	5	249,308
Training	16,303	838	119	17,260
Travel	10,128	147	21	10,296
Total	$ 2,723,096	$ 955,340	$ 47,411	$ 3,725,847

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, 2023 and June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 889,975	$ 658,348
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	578,128	575,238
Provision for loan losses	-	(195,735)
Change in operating assets and liabilities:		
Accounts receivable	(23,260)	143,665
Grants receivable	273,189	(74,019)
Interest receivable	(995)	1,340
Prepaid expenses	(21,785)	(14,324)
Accounts payable and accrued expenses	5,273	(7,632)
Prepaid rent	15,967	3,485
Loan servicing payables	(258,420)	(42,048)
Escrow and contractual obligations	23,204	(10,560)
Refundable advances	284,533	(127,542)
Net cash provided by operating activities	1,765,809	910,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan originations and principal collections, net	257,652	336,453
Payments on construction in progress	(4,270,463)	(3,814,629)
Proceeds from sale of property and equipment	-	398,792
Purchases of property and equipment	(130,560)	(388,416)
Net cash used in investing activities	(4,143,371)	(3,467,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(685,397)	(393,503)
Payments on construction loan	(157,500)	-
Payments for debt issuance costs	(50,557)	(25,791)
Proceeds from long-term debt	2,816,210	3,095,345
Net cash provided by financing activities	1,922,756	2,676,051
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(454,806)	118,467
CASH AND CASH EQUIVALENTS, beginning of year	6,924,158	6,805,691
CASH AND CASH EQUIVALENTS, end of year	$ 6,469,352	$ 6,924,158
Cash and cash equivalents	$ 4,793,189	$ 4,432,909
Restricted cash	1,676,163	2,491,249
Total cash and cash equivalents and restricted cash	$ 6,469,352	$ 6,924,158
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 376,268	$ 2,045
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:

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

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

<u>Lending and loan origination</u> – 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.

<u>Loan servicing</u> – 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.

<u>Neighborhood engagement</u> – 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); and Mai Bell Apartments, LLC (Mai Bell). 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, 2023 and 2022, 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, 2023, CNE has developed 31 of them into single family or rental housing. Of the remaining lots, one is currently under development, and 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)

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.

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 12 for further discussion on the revenue sources within the scope of ASC 606.

Note 1. Significant Accounting Policies (continued)

Revenue recognition: (continued)

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.

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 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.

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.

Note 1. Significant Accounting Policies (continued)

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 bad debt 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, 2023 and 2022, 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 loan losses. 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 impaired. 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.

Allowance for loan losses:

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb credit losses inherent in the balance of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of loans in light of historical experience, the nature and volume of the loan portfolio, overall portfolio quality, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. This evaluation does not include the effects of expected losses on loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions.

Note 1. Significant Accounting Policies (continued)

Allowance for loan losses: (continued)

The allowance consists of specific, general, and unallocated components. When required, the specific component relates to loans that are classified as impaired. The general component covers non-impaired loans and is based on historical loss experience and other qualitative factors. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss. An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is impaired when, based on current information and events, it is probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest when due. Loans that experience insignificant payment delays and payment shortfalls are not classified as impaired. Loans are charged-off if collection of principal and interest is considered impaired. Therefore, the Organization does not separately identify individual loans for impairment disclosures. The loan portfolio represents a large group of smaller balance homogeneous loans collectively evaluated for impairment.

The Organization's loan portfolio consists of one homogeneous loan pool. The general allocation is based on the historical loss rates adjusted for both internal and external qualitative risk factors. The qualitative factors considered by management primarily includes, among other factors, changes in local and national economic conditions and changes in asset quality. The total allowance established represents the product of the historical loss ratio, adjusted for qualitative factors, and the total dollar amount of the loans in the pool.

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, 2023 and 2022, the remaining amount on these contracts for future payment on construction of rental properties totaled $2,530,199 and $5,962,495, 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 utilizes 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 $8,800 and $23,951 for the years ended June 30, 2023 and 2022, 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 2019.

Recent accounting pronouncements:

On July 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and subsequent amendments thereto, which requires the Organization to recognize most leases on the statement of financial position. The standard was adopted under a modified retrospective approach at the date of adoption and the Organization elected to apply several of the available practical expedients, including:

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Organization is a lessee as a single lease component

Adoption of the leasing standard resulted in the recognition of operating right-of-use assets of $366,762, and operating lease liabilities of $366,762. These amounts were determined based on the present value of remaining lease payments, discounted using the risk free rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Organization's statement of activities. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Organization's leasing activities are presented in Note 10.

Subsequent events:

Management performed an evaluation of subsequent events through October 18, 2023, 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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$4,793,189	$4,432,909
Accounts receivable	92,111	68,851
Grants receivable	73,814	347,003
Interest receivable	7,437	6,442
	$4,966,551	$4,855,205

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, 2023 and 2022, restricted cash consisted of amounts to or held on behalf of the following organizations, entities, municipalities, or programs:

	2023	2022
Center Centre	$ 38,285	$ 292,118
Chattanooga Opportunity Fund	3,356	2,612
City of Chattanooga	274,362	287,389
Lyndhurst Foundation and Benwood Foundation	884,637	1,299,682
Loan collections	88,879	127,732
Down payment assistance	987	-
Security deposits	104,358	82,744
Real estate development funds	163,976	282,858
Taxes and escrow	117,323	116,114
Total	$1,676,163	$2,491,249

Note 4. Loans Receivable and Allowance for Loan Losses

Portfolio segmentation:

At June 30, 2023 and 2022, the Organization's loans consist of the following:

	2023	2022
Real estate mortgage loans:		
Amortizing loans	$2,186,359	$2,421,433
Title transfer loans	209,890	275,775
Small dollar loans	32,957	27,099
Total loans	2,429,206	2,724,307
Less - Allowance for loan losses	(404,475)	(441,924)
Net loans	$2,024,731	$2,282,383

For purposes of the disclosures required pursuant to the adoption of ASC 310, 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.

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.

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

Credit risk management: (continued)

The following table details activity in the allowance for loan losses for year ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$441,924	$ 646,685
Provision for loan losses	-	(195,735)
Recoveries of loans charged-off	-	17,314
Loans charged-off	(37,449)	(26,340)
Total	$404,475	$ 441,924

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, 2023 and 2022:

	2023	2022
Past due 30 to 59 days	$ 103,603	$ 115,839
Past due 60 to 89 days	73,962	73,329
Past due 90 days or more	173,564	24,668
Total past due loans	351,129	213,836
Current loans	2,078,077	2,510,471
Total loans	$2,429,206	$2,724,307

There were no nonaccrual loans as of June 30, 2023 and 2022.

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, 2023 and 2022. These loans are not included in the Organization's consolidated statements of financial position. As of June 30, 2023 and 2022, the loans the Organization was servicing are as follows:

	2023	2022
Center Centre	$ 344,216	$ 358,535
Chattanooga Opportunity Fund	18,163	24,994
City of Chattanooga	6,284,725	6,792,424
Total	$6,647,104	$7,175,953

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the refundable advance balance for this grant was $331,200 and $0, respectively.

Note 6. Refundable Advances (continued)

Tennessee Housing Development Agency Blight Elimination Program Loans:

During 2020, the Organization received loans from the Tennessee Housing Development Agency (THDA) as part of the Blight Elimination Program (BEP). The program requires the purchased properties to be maintained as a green space for a period of 3 years or to be redeveloped for the benefit of the community. The loans are for a maximum amount of $25,000. The loans bear interest at 0% interest. One third of the balance will be forgiven each year the Organization meets the program requirements. There is no assurance that the Organization's obligation under the THDA BEP loans will be forgiven and if not forgiven, the Organization will need to repay the loans. Amounts received and not forgiven are included in refundable advances on the consolidated statements of financial position. As of June 30, 2023 and 2022, the balance of these loans was $0 and $41,667, respectively.

Note 7. Long-Term Debt

At June 30, 2023 and 2022, debt consists of the following:

	2023	2022
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	$ 158,707	$ 164,971
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	368,561	435,720
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	2,376,199	2,446,617
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	1,699,891	1,748,025

Note 7. Long-Term Debt (continued)

	2023	2022
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	441,376	446,663
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 beginning May 1, 2023; fixed monthly principal payments of outstanding principal as of November 1, 2023 divided by 300 plus accrued interest beginning December 1, 2023 through maturity date of April 23, 2033, when remaining principal and accrued interest are due in full; collateralized by property and all other assets of CNE	3,881,503	1,925,190
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	588,444	595,788
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	266,666	256,859
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	266,666	255,521

Note 7. Long-Term Debt (continued)

	2023	2022
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	266,665	246,156
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	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	403,221	448,869
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	2,514,534	2,609,622
Total debt	13,729,276	11,598,463
Unamortized debt issuance costs	(168,231)	(126,474)
	13,561,045	11,471,989
Less: current portion of long-term debt	(510,833)	(792,254)
Long-term debt	$13,050,212	$10,679,735

Note 7. Long-Term Debt (continued)

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

2024	$ 510,833
2025	552,928
2026	561,905
2027	571,270
2028	515,659
Thereafter	11,016,681
	$13,729,276

The Organization is subject to compliance with certain nonfinancial and financial debt covenant requirements in accordance with the debt agreements. At June 30, 2023, the Organization was in compliance with all required debt covenants.

Note 8. Construction Loans

The Organization had a construction loan with SmartBank for a maximum amount of $157,500. The loan, which was secured by property, bore a variable interest rate at prime minus 4%, and required monthly interest only payments until the maturity date on August 15, 2022, at which outstanding principal and accrued interest were due in full. As of June 30, 2023 and 2022, the principal balance outstanding on this construction loan was $0 and $157,500, respectively.

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, 2023, there was no principal outstanding on this construction loan.

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2023 and 2022:

	2023	2022
Subject to expenditure for a specified purpose or after a stipulated period of time:		
Real estate development and preservation	$2,727,064	$2,647,944
Community engagement	149,597	24,294
Small dollar loan program personnel	2,399	21,850
Total net assets with donor restrictions	$2,879,060	$2,694,088

Note 9. Net Assets With Donor Restrictions (continued)

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Restricted cash	$ 884,637	$1,299,682
Construction in progress	1,994,423	1,394,406
Total net assets with donor restrictions	$2,879,060	$2,694,088

During the years ended June 30, 2023 and 2022, 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:

	2023	2022
Donor release from restrictions	$ -	$1,213,371
Purpose restriction accomplished	473,381	342,427
Total net assets released from restriction	$473,381	$1,555,798

Note 10. 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, and therefore, was previously not recognized on the Organization’s consolidated statement of financial position. With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated statement of financial position as a right-of-use (ROU) asset and a corresponding lease liability. The Organization elected to use the optional transition method, which allowed for a modified retrospective method of adoption without restating comparable periods. The Organization also elected the relief package of practical expedients for which there is no requirement to reassess existence of leases, their classification, and initial direct costs. The Organization also 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 statement of financial position but instead recognizes lease payments as an expense over the lease term as appropriate.

Note 10. Leases (continued)

Lessee Accounting (continued)

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, 2023	June 30, 2022
Operating Lease ROU Asset	Right-of-use asset	$319,989	$ -

Lease Right of Use Liability	Classification on Consolidated Statement of Financial Position	June 30, 2023	June 30, 2022
Operating Lease Liability	Current portion of lease liability and long-term lease liability	$324,924	$ -

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, 2023
Weighted-Average Remaining lease term for operating lease	6.17 Years
Weighted-Average Discount rate for operating lease	2.92%

Note 10. Leases (continued)

Lessee Accounting (continued)

Future undiscounted lease payments for operating leases with initial or remaining terms of one year or more as of June 30, 2023 were as follows:

	Operating Leases
2024	$ 51,865
2025	57,759
2026	58,938
2027	58,938
2028	58,938
Thereafter	68,761
Total undiscounted lease payments	355,199
Amounts representing interest	(30,275)
Net lease liability	$324,924

Total lease expense for the years ended June 30, 2023 and 2022 was $56,800 and $53,376, respectively.

Note 11. 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 $54,394 and $14,984 for the years ending June 30, 2023 and 2022, respectively.

Note 12. Revenue from Contracts with Customers

The following table presents the Organization's sources of revenues for the years ended June 30, 2023 and 2022:

	2023	2022
Grants and contributions (a)	$2,728,260	$2,278,963
Rental income (a)	1,652,914	1,440,049
Rental activity fees	72,451	65,337
Loan interest and fees (a)	138,570	349,982
Loan servicing fees (a)	150,000	150,000
Education and counseling revenue	31,140	22,457
Fund management fees	50,706	45,117
Other income	68,030	32,290
Total revenues	$4,892,071	$4,384,195

(a) Not within scope of ASC 606

Note 12. Revenue from Contracts with Customers (continued)

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 13. 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, 2023

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	Eliminations	Consolidated
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 4,117,685	$ 295,371	$ 62,710	$ 46,280	$ 271,143	$ -	$ 4,793,189
Restricted cash	1,529,199	68,033	51,420	-	27,511	-	1,676,163
Accounts receivable	54,686	21,627	2,946	-	12,852	-	92,111
Grants receivable	73,814	-	-	-	-	-	73,814
Interest receivable	7,437	-	-	-	-	-	7,437
Due from affiliates	346,095	-	-	108,320	-	454,415	-
Prepaid expenses	23,880	59,288	7,703	-	22,383	-	113,254
Total current assets	6,152,796	444,319	124,779	154,600	333,889	454,415	6,755,968
NONCURRENT ASSETS							
Due from affiliates	734,500	-	-	-	-	734,500	-
Loans receivable, net of allowance for loan loss	2,024,731	-	-	-	-	-	2,024,731
Construction in progress	6,249,719	-	-	-	-	-	6,249,719
Property and equipment at cost:							
Land	1,575,764	-	15,341	36,007	157,833	-	1,784,945
Rental property held and used	9,717,682	-	1,240,120	-	4,545,492	-	15,503,294
Furniture and fixtures	67,874	-	-	-	16,998	-	84,872
Right-of-use asset	319,989	-	-	-	-	-	319,989
Less accumulated depreciation	(1,336,283)	-	(487,116)	-	(958,997)	-	(2,782,396)
Property and equipment, net	10,345,026	-	768,345	36,007	3,761,326	-	14,910,704
Total noncurrent assets	19,353,976	-	768,345	36,007	3,761,326	734,500	23,185,154
Total assets	$ 25,506,772	$ 444,319	$ 893,124	$ 190,607	$ 4,095,215	$ 1,188,915	$ 29,941,122
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable and accrued expenses	$ 77,591	$ 75,107	$ 13,325	$ -	$ 38,911	$ -	$ 204,934
Prepaid rent	-	41,328	4,471	-	17,522	-	63,321
Due to affiliates	111,405	56,471	81,465	-	205,074	454,415	-
Loan servicing payables	100,387	-	-	-	-	-	100,387
Escrow and contractual obligations	105,570	68,343	8,814	-	27,062	-	209,789
Refundable advances	215,275	-	-	-	-	-	215,275
Current portion of lease liability	43,077	-	-	-	-	-	43,077
Current portion of long-term debt	351,616	-	45,667	18,462	95,088	-	510,833
Total current liabilities	1,004,921	241,249	153,742	18,462	383,657	454,415	1,347,616
NONCURRENT LIABILITIES							
Refundable advances	851,200	-	-	-	-	-	851,200
Long-term lease liability	281,847	-	-	-	-	-	281,847
Long-term debt, net of unamortized debt issuance costs	10,273,212	-	357,554	-	2,419,446	-	13,050,212
Long-term debt, affiliates	-	-	-	-	734,500	734,500	-
Total noncurrent liabilities	11,406,259	-	357,554	-	3,153,946	734,500	14,183,259
Total liabilities	12,411,180	241,249	511,296	18,462	3,537,603	1,188,915	15,530,875
NET ASSETS							
Without donor restrictions	10,259,138	203,070	339,222	172,145	557,612	-	11,531,187
With donor restrictions	2,836,454	-	42,606	-	-	-	2,879,060
Total net assets	13,095,592	203,070	381,828	172,145	557,612	-	14,410,247
Total liabilities and net assets	$ 25,506,772	$ 444,319	$ 893,124	$ 190,607	$ 4,095,215	$ 1,188,915	$ 29,941,122

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

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

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	Eliminations	Consolidated
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	-	-	-	-	-	78,612
Property management	235,242	-	-	-	-	235,242	-
Real estate development	41,667	-	-	-	-	-	41,667
Small dollar loan	44,881	-	-	-	-	-	44,881
Total program support	870,474	-	-	-	-	235,242	635,232
General support:							
General revenue	1,857,841	1,038,697	166,341	-	520,327	-	3,583,206
Fundraising	15,280	-	-	-	-	-	15,280
Total general support	1,873,121	1,038,697	166,341	-	520,327	-	3,598,486
Net assets released from restrictions	436,938	-	36,443	-	-	-	473,381
Total revenue	3,180,533	1,038,697	202,784	-	520,327	235,242	4,707,099
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	81,232	696,849	155,149	3,096	561,859	235,242	1,262,943
Fundraising	50,861	-	-	-	-	-	50,861
Total support services	132,093	696,849	155,149	3,096	561,859	235,242	1,313,804
Total expenses	2,820,385	696,849	155,149	3,096	561,859	235,242	4,002,096
Change in net assets from operations	360,148	341,848	47,635	(3,096)	(41,532)	-	705,003
NONOPERATING ACTIVITIES							
Transfers	546,304	(546,304)	-	-	-	-	-
Total nonoperating activities	546,304	(546,304)	-	-	-	-	-
Change in net assets	906,452	(204,456)	47,635	(3,096)	(41,532)	-	705,003
NET ASSETS, beginning of year	9,352,686	407,526	291,587	175,241	599,144	-	10,826,184
NET ASSETS, end of year	$ 10,259,138	$ 203,070	$ 339,222	$ 172,145	$ 557,612	$ -	$ 11,531,187

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

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

	CNE	CNE Rentals	CAHLP V	Highland Park	Mai Bell	Eliminations	Consolidated
REVENUES							
Program support:							
Homeownership preservation	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Homeownership promotion	-	-	-	-	-	-	-
Lending and loan origination	-	-	-	-	-	-	-
Loan servicing	-	-	-	-	-	-	-
Neighborhood engagement	203,509	-	-	-	-	-	203,509
Property management	-	-	-	-	-	-	-
Real estate development	400,000	-	-	-	-	-	400,000
Small dollar loan	50,000	-	-	-	-	-	50,000
Total program support	653,509	-	-	-	-	-	653,509
General support:							
General revenue	4,844	-		-	-	-	4,844
Fundraising	-	-	-	-	-	-	-
Total general support	4,844	-	-	-	-	-	4,844
Net assets released from restrictions	(436,938)	-	(36,443)	-	-	-	(473,381)
Total revenue	221,415	-	(36,443)	-	-	-	184,972
EXPENSES							
Direct program services:							
Homeownership preservation	-	-	-	-	-	-	-
Homeownership promotion	-	-	-	-	-	-	-
Neighborhood engagement	-	-	-	-	-	-	-
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	221,415	-	(36,443)	-	-	-	184,972
NONOPERATING ACTIVITIES							
Transfers	-	-	-	-	-	-	-
Total nonoperating activities	-	-	-	-	-	-	-
Change in net assets	221,415	-	(36,443)	-	-	-	184,972
NET ASSETS, beginning of year	2,615,039	-	79,049	-	-	-	2,694,088
NET ASSETS, end of year	$ 2,836,454	$ -	$ 42,606	$ -	$ -	$ -	$ 2,879,060

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC. AND SUBSIDIARIES

STATEMENT OF ACTIVITIES - RENTAL ENTITIES
Year Ended June 30, 2023

	CNE Rentals	CAHLP V	Highland Park	Mai Bell	Total
REVENUES					
Rental income	$ 1,005,814	$ 159,841	$ -	$ 487,259	$1,652,914
Rental activity fees	32,883	6,500	-	33,068	72,451
Total revenue	1,038,697	166,341	-	520,327	1,725,365
EXPENSES					
Bad debt (recoveries)	-	5,049	-	3,578	8,627
Contract and professional services	61,917	15,900	2,070	69,067	148,954
Depreciation	*	45,386	-	168,690	214,076
Insurance and taxes	188,357	32,212	841	105,294	326,704
Interest	180,979	-	185	65,792	246,956
Management fees	146,341	21,862	-	67,039	235,242
Other	7,576	-	-	4,682	12,258
Promotion and marketing	3,525	45	-	2,570	6,140
Utilities	26,972	12,003	-	38,089	77,064
Repairs and maintenance	81,182	22,692	-	37,058	140,932
Total expenses	696,849	155,149	3,096	561,859	1,416,953
Change in net assets from operations	$ 341,848	$ 11,192	$ (3,096)	$ (41,532)	$ 308,412

* Depreciation expense in the amount of $341,083 for rental properties held and used is presented within CNE's statement of activities.

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

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	$ 183,097
Total CDBG - Entitlement Grants Cluster			183,097
Passed through City of Chattanooga, Tennessee			
Home Investment Partnerships Program	14.239	N/A	331,200
Total U.S. Department of Housing and Urban Development			514,297
U.S. DEPARTMENT OF THE TREASURY			
Passed through NeighborWorks America			
Congressional Appropriations	21.U01; Public Law 117-328	N/A	311,000
Passed through NeighborWorks America			
Congressional Appropriations	21.U02; Public Law 117-103	N/A	2,654
Passed through NeighborWorks America			
Congressional Appropriations	21.U03; Public Law 116-94	N/A	3,000
Passed through State of Tennessee			
COVID-19-Emergency Rental Assistance Program	21.023	N/A	1,250
Total U.S. Department of the Treasury			317,904
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 832,201

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2023. 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, 2023.

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 (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 18, 2023.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
October 18, 2023

MAULDIN
& JENKINS
CPAs & ADVISORS

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, 2023. 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, 2023.

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
October 18, 2023

CHATTANOOGA NEIGHBORHOOD ENTERPRISE, INC.
AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

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
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	____ Yes ___X___No

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, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported