

EMPOWER TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

EMPOWER TENNESSEE

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Independent Auditor's Report

To the Board of Directors of
Empower Tennessee
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Empower Tennessee (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



To the Board of Directors of
Empower Tennessee

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empower Tennessee as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020, on our consideration of Empower Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Empower Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Empower Tennessee's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 3, 2020

EMPOWER TENNESSEE
STATEMENTS OF FINANCIAL POSITION

		<u>ASSETS</u>	
		June 30,	
		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash		\$ 17,614	\$ 60,745
Grants receivable		57,489	57,672
Other assets		<u>1,942</u>	<u>6,967</u>
Total current assets		<u>77,045</u>	<u>125,384</u>
FURNITURE AND EQUIPMENT, NET		<u>-</u>	<u>737</u>
Total assets		<u>\$ 77,045</u>	<u>\$ 126,121</u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and payroll taxes payable		\$ 19,187	\$ 13,488
Accrued leave and payroll		<u>31,454</u>	<u>17,921</u>
Total current liabilities		<u>50,641</u>	<u>31,409</u>
NET ASSETS			
Without donor restrictions		<u>26,404</u>	<u>94,712</u>
Total net assets		<u>26,404</u>	<u>94,712</u>
Total liabilities and net assets		<u>\$ 77,045</u>	<u>\$ 126,121</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF ACTIVITIES

	Without Donor Restrictions	
	Year Ended June 30,	
	2020	2019
REVENUES AND SUPPORT		
Grants	\$ 624,519	\$ 602,988
Fees for services	27,016	8,857
Contributions	10,631	32,162
Other income	11,831	-
	<u>673,997</u>	<u>644,007</u>
EXPENSES		
Program services:		
Work incentives planning and assistance	243,528	221,694
Independent living services	<u>352,752</u>	<u>269,142</u>
Total program services	596,280	490,836
Fundraising	-	12,225
Management and general	<u>146,025</u>	<u>116,043</u>
Total expenses	<u>742,305</u>	<u>619,104</u>
Change in net assets	(68,308)	24,903
Net assets at the beginning of the period	<u>94,712</u>	<u>69,809</u>
Net assets at the end of the period	<u>\$ 26,404</u>	<u>\$ 94,712</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services				
	Work				
	Incentives	Independent	Total	Management	
	Planning	Living	Program	and General	
	Assistance	Services	Services		Total
Salaries and benefits	\$ 225,354	\$ 287,203	\$ 512,557	\$ 50,951	\$ 563,508
Insurance	-	-	-	7,904	7,904
Occupancy	-	-	-	23,589	23,589
Professional services	-	17,166	17,166	28,224	45,390
Telephone, computer and internet	6,951	1,387	8,338	36	8,374
Travel, conferences and meetings	5,789	23,300	29,089	5,761	34,850
Depreciation	-	-	-	737	737
Postage, printing and supplies	5,434	6,996	12,430	2,715	15,145
Specific assistance	-	13,302	13,302	-	13,302
Bank service charges	-	-	-	907	907
Dues and subscriptions	-	3,398	3,398	13,370	16,768
Moving expense	-	-	-	11,831	11,831
Total expenses	<u>\$ 243,528</u>	<u>\$ 352,752</u>	<u>\$ 596,280</u>	<u>\$ 146,025</u>	<u>\$ 742,305</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					
	Work		Total		Management	
	Incentives	Independent	Program	Fundraising	and General	Total
	Planning	Living	Services			
	Assistance	Services				
Salaries and benefits	\$ 202,419	\$ 228,320	\$ 430,739	\$ -	\$ 48,624	\$ 479,363
Insurance	-	-	-	-	9,056	9,056
Occupancy	3,600	10,314	13,914	-	13,722	27,636
Professional services	-	2,769	2,769	-	24,698	27,467
Telephone, computer and internet	6,239	33	6,272	-	-	6,272
Travel, conferences and meetings	4,507	14,596	19,103	-	6,763	25,866
Depreciation	-	-	-	-	4,930	4,930
Postage, printing and supplies	4,929	7,530	12,459	631	1,230	14,320
Specific assistance	-	300	300			300
Dues and subscriptions	-	5,280	5,280	-	7,020	12,300
Fundraising	-	-	-	11,594	-	11,594
Total expenses	<u>\$ 221,694</u>	<u>\$ 269,142</u>	<u>\$ 490,836</u>	<u>\$ 12,225</u>	<u>\$ 116,043</u>	<u>\$ 619,104</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (decrease) increase in net assets	\$ (68,308)	\$ 24,903
Adjustments to reconcile net (decrease) in net assets to cash (used in) provided by operating activities:		
Depreciation	737	4,930
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	183	(15,424)
Decrease (increase) in other assets	5,025	(6,323)
Increase (decrease) in accounts payable and payroll taxes payable	5,699	(675)
Increase (decrease) accrued leave on payroll	13,533	(1,310)
Net cash (used in) provided by operating activities	(43,131)	6,101
Net (decrease) increase in cash and cash equivalents	(43,131)	6,101
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	60,745	54,644
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 17,614	\$ 60,745

See accompanying notes to financial statements.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Empower Tennessee (the “Organization”) serves a multi-county area in the central portion of Middle Tennessee. This area includes Davidson County, Cheatham County, Wilson County, Robertson County, Rutherford County, Sumner County, and Williamson County. The Organization is located in Nashville, Tennessee, which is near the center of its geographical area of service. The Organization is affiliated with over 400 other related organizations nation-wide through Center for Independent Living Associations.

A local Board of Directors (over 50% of whom have disabilities) governs Empower Tennessee. The Organization is a not-for-profit corporation dedicated to advancing the independence of all persons with disabilities as well as to provide group educational, group guidance and advocacy services on behalf of these persons. The Organization has operated in Middle Tennessee since 1992. Empower Tennessee was previously known as The Center for Independent Living of Middle Tennessee.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follow:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

For reporting purposes, the Organization’s financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statements of activities.

Empower Tennessee did not have assets that met the definition of net assets with donor restrictions at June 30, 2020 and 2019.

Cash and Cash Equivalents

The Organization considers all investment instrument purchases with a maturity of three months or less to be cash equivalents.

Allowance for Doubtful Account

The Organization considers all current accounts receivable to be fully collectible; therefore, no allowance is recorded.

Furniture and Equipment

Furniture and equipment are carried at cost. Items with an acquisition cost exceeding \$1,000 are capitalized and depreciated. Depreciation on purchased property is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

Income Taxes

Empower Tennessee is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization is not classified as a private foundation.

Empower Tennessee accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for Empower Tennessee include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

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

Fair Values of Financial Instruments

Empower Tennessee's financial instruments consist of grants receivable, accounts receivable, accounts payable and accrued expenses. The recorded values of the financial instruments approximate their fair values based on their short-term nature.

Donated Services

Officers, members of the Board of Directors and other members of the Organization have assisted the Organization in the accomplishment of its goals and objectives by the donation of their time and services. No amounts have been reflected in the financial statements as it was not practicable to determine the valuation of such services to the Organization, and the Organization exercises no significant control over the major elements of donated services.

Revenue and Support

Empower Tennessee receives the majority of its revenue and support from grants provided by the U.S. Department of Education, the U.S. Department of Human Services, and the Social Security Administration. The Organization records income due in the period that the applicable reimbursable services were incurred.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions that are purpose/time restricted are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give in the future are recognized as assets with donor restrictions and as revenues and support in the period promised.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is comprehensive new guidance that supersedes all existing revenue recognition guidance. ASU 2014-09 requires revenue to be recognized when the Organization transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This standard also significantly expands the disclosure requirements for revenue recognition. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018 and has been adopted effective July 1, 2019. The Organization has applied this standard utilizing a modified retrospective approach which requires prospective application of the new guidance with disclosure of results under the old guidance in the first year of adoption. There was no effect on the financial statements related to the adoption of this new standard which would require a cumulative effect adjustment to the net assets at the date of adoption.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 is effective for the Organization's fiscal year beginning July 1, 2019 for transactions in which the Organization serves as a resource recipient, and for its fiscal year beginning July 1, 2020, for transactions in which the Organization serves as a resource provider.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$17,615	\$ 60,745
Grants receivable	<u>57,489</u>	<u>57,672</u>
Total financial assets	<u>\$75,104</u>	<u>\$118,417</u>
Less amounts not available to be used for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$75,104</u>	<u>\$118,417</u>

C. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 137,903	\$ 137,903
Less accumulated depreciation	<u>(137,903)</u>	<u>(137,166)</u>
Total	<u>\$ -</u>	<u>\$ 737</u>

D. LINE-OF-CREDIT

In November 2019, the Organization entered into an agreement with a financial institution for a \$50,000 revolving line-of-credit. All outstanding principal and accrued interest is due on November 26, 2020. The line-of-credit bears interest at 2.00% over the bank's index rate (6.75% as of June 30, 2020).

A schedule of changes in the line-of-credit obligation is as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Line-of-credit	<u>\$ -</u>	<u>\$99,804</u>	<u>(\$99,804)</u>	<u>\$ -</u>

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

E. OPERATING LEASE

The Organization leased office space under a noncancelable operating lease that required a monthly payment of \$2,303 and expired during fiscal 2020. The Organization entered into a new office space lease in May 2020 that requires a monthly payment of \$1,333. The new office space is operated under a month to month lease term. Rent expense was \$23,589 and \$27,636 for the years ended June 30, 2020 and 2019, respectively.

F. PENSION PLAN

The Organization provides a deferred contribution retirement plan for all eligible employees. The Organization will match up to 3% of employee contributions during the year. Pension expense was \$7,310 and \$6,953 for the years ended June 30, 2020 and 2019, respectively.

G. COVID-19 PANDEMIC

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected the Organization’s operational and financial performance due to the impact on its clients, contributors, and employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives.

The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. In order to partially mitigate the effect of the pandemic, the Organization was awarded a one-time reimbursement based grant of approximately \$270,000 from the Department of Health and Human Services to be used for COVID-19-related expenditures. The project period for the grant is from April 1, 2020 to September 30, 2021. As of June 30, 2020, the Organization has spent approximately \$39,000 of the grant funds.

While expected to be temporary, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2021.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 3, 2020, the date the financial statements were available for issuance, and there are no items requiring disclosure.



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 of
Empower Tennessee
Nashville, 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 financial statements of Empower Tennessee (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Empower Tennessee'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Empower Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of Empower Tennessee'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.



To the Board of Directors of
Empower Tennessee

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Empower Tennessee's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Crosslin, PLLC

Nashville, Tennessee
December 3, 2020