

EMPOWER TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 audit 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Empower Tennessee as of June 30, 2015, were audited by other auditors whose report dated May 6, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2017, 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 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 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
March 6, 2017

EMPOWER TENNESSEE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 34,960	\$ 42,681
Grant Receivable	108,595	194,321
Other Assets	1,063	-
	<hr/>	<hr/>
Total current assets	144,618	237,002
	<hr/>	<hr/>
FURNITURE AND EQUIPMENT	49,234	71,044
	<hr/>	<hr/>
Total assets	\$ 193,852	\$ 308,046
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and payroll taxes payable	\$ 9,342	\$ 32,869
Accrued leave	11,379	4,724
Unearned grant revenue	-	57,726
	<hr/>	<hr/>
Total current liabilities	20,721	95,319
	<hr/>	<hr/>
NET ASSETS		
Unrestricted	173,131	212,727
	<hr/>	<hr/>
Total net assets	173,131	212,727
	<hr/>	<hr/>
Total liabilities and net assets	\$ 193,852	\$ 308,046
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2016	2015
REVENUES		
Grants	\$ 455,006	\$ 705,223
Fees for services	74,700	42,336
Contributions	4,110	8,342
Other	-	8,525
Gain on sale of furniture and equipment	-	11,367
	<u>533,816</u>	<u>775,793</u>
Total revenues		
EXPENSES		
Program services:		
Work incentives planning and assistance	253,386	219,799
Independent living services	<u>204,237</u>	<u>327,630</u>
	457,623	547,429
Total program services		
Management and general	<u>115,789</u>	<u>138,433</u>
	573,412	685,862
Total expenses		
(Decrease) increase in unrestricted net assets	(39,596)	89,931
Net assets, unrestrcited, at beginning of year	<u>212,727</u>	<u>122,796</u>
Net assets, unrestriced, at end of year	<u>\$ 173,131</u>	<u>\$ 212,727</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services		Total		
	Work Incentives	Independent	Program	Management	
	Planning & Assistance	Living Services	Services	and General	Total
Salaries and benefits	\$ 213,597	\$ 181,833	\$ 395,430	\$ 35,021	\$ 430,451
Insurance	286	-	286	6,419	6,705
Occupancy	3,000	10,914	13,914	16,422	30,336
Other Expenses	-	5	5	405	410
Professional services	17,293	2,089	19,382	24,517	43,899
Telephone, computer and internet	3,959	339	4,298	487	4,785
Travel, conferences and meetings	8,656	2,521	11,177	4,340	15,517
Depreciation	-	2,672	2,672	19,138	21,810
Postage, printing and supplies	3,455	3,864	7,319	8,439	15,758
Specific assistance	2,940	-	2,940	-	2,940
Dues and subscriptions	200	-	200	601	801
Total expenses	<u>\$ 253,386</u>	<u>\$ 204,237</u>	<u>\$ 457,623</u>	<u>\$ 115,789</u>	<u>\$ 573,412</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services		Total		
	Work Incentives	Independent	Program	Management	
	Planning & Assistance	Living Services	Services	and General	Total
Salaries	\$ 153,632	\$ 183,199	\$ 336,831	\$ 55,614	\$ 392,445
Employee benefits	34,237	30,919	65,156	10,876	76,032
Payroll taxes	11,783	14,074	25,857	4,838	30,695
Rent	-	23,119	23,119	16,421	39,540
Insurance	-	-	-	7,892	7,892
Travel and meetings	11,071	15,442	26,513	3,316	29,829
Professional services	-	24,542	24,542	22,890	47,432
Communications	3,305	2,391	5,696	1,900	7,596
Miscellaneous	-	2,043	2,043	1,515	3,558
Supplies	4,777	17,055	21,832	7,867	29,699
Postage	701	42	743	-	743
Depreciation	-	540	540	3,866	4,406
Printing	293	4,235	4,528	120	4,648
Specific assistance	-	9,659	9,659	-	9,659
Dues and subscriptions	-	370	370	1,318	1,688
Total expenses	<u>\$ 219,799</u>	<u>\$ 327,630</u>	<u>\$ 547,429</u>	<u>\$ 138,433</u>	<u>\$ 685,862</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (decrease) increase in net assets	\$ (39,596)	\$ 89,931
Adjustments to reconcile net (decrease) increase in net assets to cash used in operating activities:		
Depreciation	21,810	4,406
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	85,726	(132,575)
Increase in other assets	(1,063)	-
Decrease in accounts payable and payroll taxes payable	(23,527)	(49,300)
Increase (decrease) in accrued leave	6,655	(7,756)
Decrease in unearned revenue	(57,726)	(16,770)
Net cash used in operating activities	(7,721)	(112,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(12,061)
Net cash used in investing activities	-	(12,061)
Net decrease in cash and cash equivalents	(7,721)	(124,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,681	166,806
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 34,960</u>	<u>\$ 42,681</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

The Organization classifies its revenue and expenses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are required to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Empower Tennessee did not have assets that met the definition of temporarily or permanently restricted net assets at June 30, 2016 or 2015.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Requirements

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.

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.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Values of Financial Instruments

Empower Tennessee's financial instruments consist of grants receivable, accounts payable and accrued expenses. The recorded values of accounts receivable, accounts payable and accrued expenses 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 income from contract services paid 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 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 temporarily restricted or permanently restricted support. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give in the future are recognized as temporarily restricted assets and as revenues and support in the period promised.

Functional Allocation of Expenses

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

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

B. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Office furniture and equipment	\$ 137,903	\$ 137,903
Less accumulated depreciation	<u>(88,669)</u>	<u>(66,859)</u>
Total	<u>\$ 49,234</u>	<u>\$ 71,044</u>

C. OPERATING LEASE

Empower Tennessee leases its office space under a noncancelable operating lease that requires a monthly payment of \$2,873. This lease is effective through June 30, 2017. Rent expense was \$30,336 and \$39,540 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	<u>\$34,476</u>

D. 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 \$3,976 and \$8,361 for the years ended June 30, 2016 and 2015, respectively.

E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6 2017, 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, 2016, 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 March 6, 2017.

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) to determine the 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 the 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 determination of financial statement amounts. 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
March 6, 2017