

EMPOWER TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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 March 20, 2018, 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 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 20, 2018

EMPOWER TENNESSEE
STATEMENTS OF FINANCIAL POSITION

		<u>ASSETS</u>	
		June 30,	
		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash	\$	22,603	\$ 34,960
Grants receivable		81,146	108,595
Accounts receivable		6,243	-
Other assets		-	1,063
Total current assets		<u>109,992</u>	<u>144,618</u>
FURNITURE AND EQUIPMENT, NET		<u>27,424</u>	<u>49,234</u>
Total assets	\$	<u><u>137,416</u></u>	<u><u>\$ 193,852</u></u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and payroll taxes payable	\$	23,932	\$ 9,342
Accrued leave		<u>11,349</u>	<u>11,379</u>
Total current liabilities		<u>35,281</u>	<u>20,721</u>
NET ASSETS			
Unrestricted		<u>102,135</u>	<u>173,131</u>
Total net assets		<u>102,135</u>	<u>173,131</u>
Total liabilities and net assets	\$	<u><u>137,416</u></u>	<u><u>\$ 193,852</u></u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2017	2016
REVENUES		
Grants	\$ 515,193	\$ 455,006
Fees for services	62,686	74,700
Contributions	4,540	4,110
	<u>582,419</u>	<u>533,816</u>
EXPENSES		
Program services:		
Work incentives planning and assistance	228,425	253,386
Independent living services	277,766	204,237
	<u>506,191</u>	<u>457,623</u>
Management and general	147,224	115,789
	<u>653,415</u>	<u>573,412</u>
Decrease in unrestricted, net assets	(70,996)	(39,596)
Net assets, unrestricted, at beginning of year	173,131	212,727
Net assets, unrestricted, at end of year	<u>\$ 102,135</u>	<u>\$ 173,131</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services		Total		
	Work Incentives	Independent	Program	Management	
	Planning & Assistance	Living Services	Services	and General	Total
Salaries and benefits	\$ 205,152	\$ 204,183	\$ 409,335	\$ 36,774	\$ 446,109
Insurance	-	-	-	4,230	4,230
Occupancy	4,261	10,314	14,575	23,718	38,293
Other expenses	-	37	37	1,697	1,734
Professional services	-	-	-	48,852	48,852
Telephone, computer and internet	4,877	456	5,333	-	5,333
Travel, conferences and meetings	7,868	15,854	23,722	4,929	28,651
Depreciation	-	2,672	2,672	19,138	21,810
Postage, printing and supplies	6,107	9,991	16,098	5,498	21,596
Specific assistance	-	2,177	2,177	-	2,177
Dues and subscriptions	160	250	410	768	1,178
Fundraising	-	-	-	1,620	1,620
Bad debt	-	31,832	31,832	-	31,832
Total expenses	<u>\$ 228,425</u>	<u>\$ 277,766</u>	<u>\$ 506,191</u>	<u>\$ 147,224</u>	<u>\$ 653,415</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 CASH FLOWS

	Years Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net decrease in net assets	\$ (70,996)	\$ (39,596)
Adjustments to reconcile net decrease in net assets to cash used in operating activities:		
Depreciation	21,810	21,810
Changes in operating assets and liabilities:		
Decrease in grants receivable	27,449	85,726
Increase in accounts receivable	(6,243)	-
Decrease (increase) in other assets	1,063	(1,063)
Increase (decrease) in accounts payable and payroll taxes payable	14,590	(23,527)
(Decrease) increase in accrued leave	(30)	6,655
Decrease in unearned revenue	-	(57,726)
Net cash used in operating activities	(12,357)	(7,721)
Net decrease in cash and cash equivalents	(12,357)	(7,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,960	42,681
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 22,603	\$ 34,960

See accompanying notes to financial statements.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 or 2016.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2017 AND 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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, 2017 AND 2016

B. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Office furniture and equipment	\$ 137,903	\$ 137,903
Less accumulated depreciation	<u>(110,479)</u>	<u>(88,669)</u>
Total	<u>\$ 27,424</u>	<u>\$ 49,234</u>

C. OPERATING LEASE

Empower Tennessee leases its office space under a noncancelable operating lease that requires a monthly payment of \$3,136. This lease is effective through June 30, 2018. Rent expense was \$38,293 and \$30,336 for the years ended June 30, 2017 and 2016, respectively. Future minimum lease payments with terms exceeding one year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	<u>\$37,632</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 \$5,214 and \$3,976 for the years ended June 30, 2017 and 2016, respectively.

E. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2018, 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, 2017, 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 20, 2018.

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 20, 2018