

EMPOWER TENNESSEE
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

EMPOWER TENNESSEE

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Independent Auditor's Report

To the Board of Directors of
Empower Tennessee
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Empower Tennessee (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

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 Empower Tennessee and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Empower Tennessee's ability to continue as a going concern within one year after the date that the 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 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 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 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 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 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 Empower Tennessee's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Empower Tennessee's 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.



To the Board of Directors of
Empower Tennessee

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2023, 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
February 17, 2023

EMPOWER TENNESSEE
STATEMENTS OF FINANCIAL POSITION

		<u>ASSETS</u>	
		June 30,	
		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash		\$ 5,541	\$ 4,915
Grants receivable		50,660	93,812
Other assets		<u>1,333</u>	<u>2,194</u>
Total current assets		<u>57,534</u>	<u>100,921</u>
FURNITURE AND EQUIPMENT, NET		<u>-</u>	<u>-</u>
Total assets		<u><u>\$ 57,534</u></u>	<u><u>\$ 100,921</u></u>
 <u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and payroll taxes payable		\$ 14,718	\$ 16,402
Accrued leave and payroll		24,732	24,559
Line-of-credit		<u>50,000</u>	<u>6,000</u>
Total current liabilities		<u>89,450</u>	<u>46,961</u>
NET (DEFICIT) ASSETS			
Without donor restrictions		(31,916)	\$ 21,954
With donor restrictions		<u>-</u>	<u>32,006</u>
Total net (deficit) assets		<u>(31,916)</u>	<u>53,960</u>
Total liabilities and net assets		<u><u>\$ 57,534</u></u>	<u><u>\$ 100,921</u></u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF ACTIVITIES

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants	\$ 422,070	\$ -	\$ 422,070
Fees for services	20,854	-	20,854
Contributions	10,348	-	10,348
Other income	-	-	-
Net assets released from restrictions	32,006	(32,006)	-
Total revenues and support	485,278	(32,006)	453,272
EXPENSES			
Program services:			
Independent living services	344,849	-	344,849
Total program services	344,849	-	344,849
Management and general	194,299	-	194,299
Total expenses	539,148	-	539,148
Change in net assets	(53,870)	(32,006)	(85,876)
Net assets at the beginning of the period	21,954	32,006	53,960
Net (deficit) at the end of the period	\$ (31,916)	\$ -	\$ (31,916)

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF ACTIVITIES

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Grants	\$ 756,446	\$ 50,000	\$ 806,446
Fees for services	24,930	-	24,930
Contributions	3,627	-	3,627
Other income	-	-	-
Net assets released from restrictions	17,994	(17,994)	-
	<u>802,997</u>	<u>32,006</u>	<u>835,003</u>
Total revenues and support			
EXPENSES			
Program services:			
Work incentives planning and assistance	232,940	-	232,940
Independent living services	461,029	-	461,029
	<u>693,969</u>	<u>-</u>	<u>693,969</u>
Total program services			
Management and general	113,478	-	113,478
	<u>807,447</u>	<u>-</u>	<u>807,447</u>
Total expenses			
Change in net assets	(4,450)	32,006	27,556
Net assets at the beginning of the period	26,404	-	26,404
Net assets at the end of the period	<u>\$ 21,954</u>	<u>\$ 32,006</u>	<u>\$ 53,960</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Independent Living Services	Total Program Services	Management and General	Total
Salaries and benefits	\$ 313,724	\$ 313,724	\$ 107,910	\$ 421,634
Insurance	-	-	8,962	8,962
Occupancy	187	187	24,645	24,832
Professional services	5,198	5,198	26,297	31,495
Telephone, computer and internet	411	411	12,717	13,128
Travel, conferences and meetings	3,558	3,558	328	3,886
Postage, printing and supplies	4,681	4,681	5,015	9,696
Specific assistance	12,925	12,925	643	13,568
Bank service charges	-	-	524	524
Dues and subscriptions	4,165	4,165	7,258	11,423
	<u>4,165</u>	<u>4,165</u>	<u>7,258</u>	<u>11,423</u>
Total expenses	<u>\$ 344,849</u>	<u>\$ 344,849</u>	<u>\$ 194,299</u>	<u>\$ 539,148</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services				
	Work				
	Incentives	Independent	Total	Management	
	Planning	Living	Program	and General	
	Assistance	Services	Services		Total
Salaries and benefits	\$ 217,257	\$ 391,443	\$ 608,700	\$ 29,739	\$ 638,439
Insurance	-	-	-	7,919	7,919
Occupancy	-	-	-	31,193	31,193
Professional services	-	17,705	17,705	25,793	43,498
Telephone, computer and internet	4,352	4,284	8,636	11,639	20,275
Travel, conferences and meetings	3,034	2,081	5,115	44	5,159
Postage, printing and supplies	8,084	25,960	34,044	189	34,233
Specific assistance	-	13,490	13,490	-	13,490
Bank service charges	-	-	-	864	864
Dues and subscriptions	213	6,066	6,279	6,098	12,377
Total expenses	<u>\$ 232,940</u>	<u>\$ 461,029</u>	<u>\$ 693,969</u>	<u>\$ 113,478</u>	<u>\$ 807,447</u>

See accompanying notes to financial statements.

EMPOWER TENNESSEE
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (85,876)	\$ 27,556
Adjustments to reconcile change in net assets to cash used in operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in grants receivable	43,152	(36,323)
Decrease (increase) in other assets	861	(252)
Decrease in accounts payable and payroll taxes payable	(1,684)	(2,785)
Increase (decrease) accrued leave and payroll	173	(6,895)
Net cash used in operating activities	(43,374)	(18,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from line-of-credit	44,000	6,000
Net cash provided by financing activities	44,000	6,000
Net increase (decrease) in cash and cash equivalents	626	(12,699)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,915	17,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 5,541	\$ 4,915

See accompanying notes to financial statements.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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, 2022.

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, 2022 AND 2021

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 Health and Human Services, and the Tennessee Department of Human Services. 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, 2022 AND 2021

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.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,541	\$ 4,915
Grants receivable	<u>50,660</u>	<u>93,812</u>
Total financial assets	<u>\$56,201</u>	<u>\$98,727</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>-</u>	<u>32,006</u>
Financial assets available to meet general expenditures within one year	<u>\$56,201</u>	<u>\$66,721</u>

C. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 137,903	\$ 137,903
Less accumulated depreciation	<u>(137,903)</u>	<u>(137,903)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

D. LINE-OF-CREDIT

The Organization has an agreement with a financial institution for a \$50,000 revolving line-of-credit. All outstanding principal and accrued interest is due on January 12, 2023. The line-of-credit bears interest at 2.00% over the bank's index rate (6.75% and 5.25% as of June 30, 2022 and 2021, respectively). The outstanding balance at June 30, 2022 and 2021 was \$50,000 and \$6,000, respectively. Subsequent to June 30, 2022, the line-of-credit was renewed through January 12, 2024.

E. OPERATING LEASE

The Organization leases office space on a month-to-month basis. Rent expense was \$24,832 and \$16,000 for the years ended June 30, 2022 and 2021, 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 \$6,992 and \$8,845 for the years ended June 30, 2022 and 2021, respectively.

G. NET ASSETS AND NET ASSETS RELEASED FROM RESTRICTION

Net assets with donor restrictions that are purpose and time restricted and temporary in nature at June 30, 2021 totaled \$32,006, and are available for program services. There were no donor restricted net assets at June 30, 2022.

For the year ended June 30, 2022 and 2021, net assets with donor restrictions totaling \$32,006 and \$17,994 were released from restriction by incurring costs, and expenses satisfying the donor restricted purposes.

H. 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.

EMPOWER TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

H. COVID-19 PANDEMIC - Continued

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 was from April 1, 2020 to September 30, 2021. As of June 30, 2021, the Organization has spent approximately \$234,000 of the grant funds. The remaining grant funds were spent during fiscal year 2022.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 17, 2023, the date the financial statements were available for issuance, and there are no items requiring disclosure except as discussed in Note D and the event discussed below.

On October 21, 2022, the Organization borrowed \$70,000 from a related party, payable in 60 installments of \$1,337 beginning January 2023 and continuing through December 2027 at an interest rate of 5.5%.



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, 2022, 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 February 17, 2023.

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.

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.



To the Board of Directors of
Empower Tennessee

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
February 17, 2023