

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information

Year Ended June 30, 2022



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Financial Statements
 and Supplementary Information
 Year Ended June 30, 2022

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INTRODUCTORY SECTION (UNAUDITED)



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Gary Holiway, Executive Director
Board of Directors and Policy Council
Year Ended June 30, 2022

Anderson County

County Mayor Terry Frank

Blount County

County Mayor Ed Mitchell

Campbell County

County Mayor E.L. Morton

Claiborne County

County Mayor Joe Brooks, Vice
Chair

Cocke County

County Mayor Crystal Ottinger

Grainger County

County Mayor Mike Byrd

Hamblen County

County Mayor Bill Brittain

Jefferson County

County Mayor Mark Potts, Chair

Knox County

County Mayor Glenn Jacobs

Loudon County

County Mayor Buddy Bradshaw

Monroe County

County Mayor Mitch Ingram

Morgan County

County Executive Brian Langley,
Treasurer

Roane County

County Executive Ron Woody

Scott County

County Mayor Jeff Tibbals,
Secretary

Sevier County

County Mayor Larry Waters

Union County

County Mayor Jason Bailey

General Assembly

Senator Richard Briggs
Representative Kent Calfee



FINANCIAL SECTION



Independent Auditors' Report

To the Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of ETHRA as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ETHRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 ETHRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 ETHRA'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 ETHRA'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 5-8 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ETHRA's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state grants is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund

financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

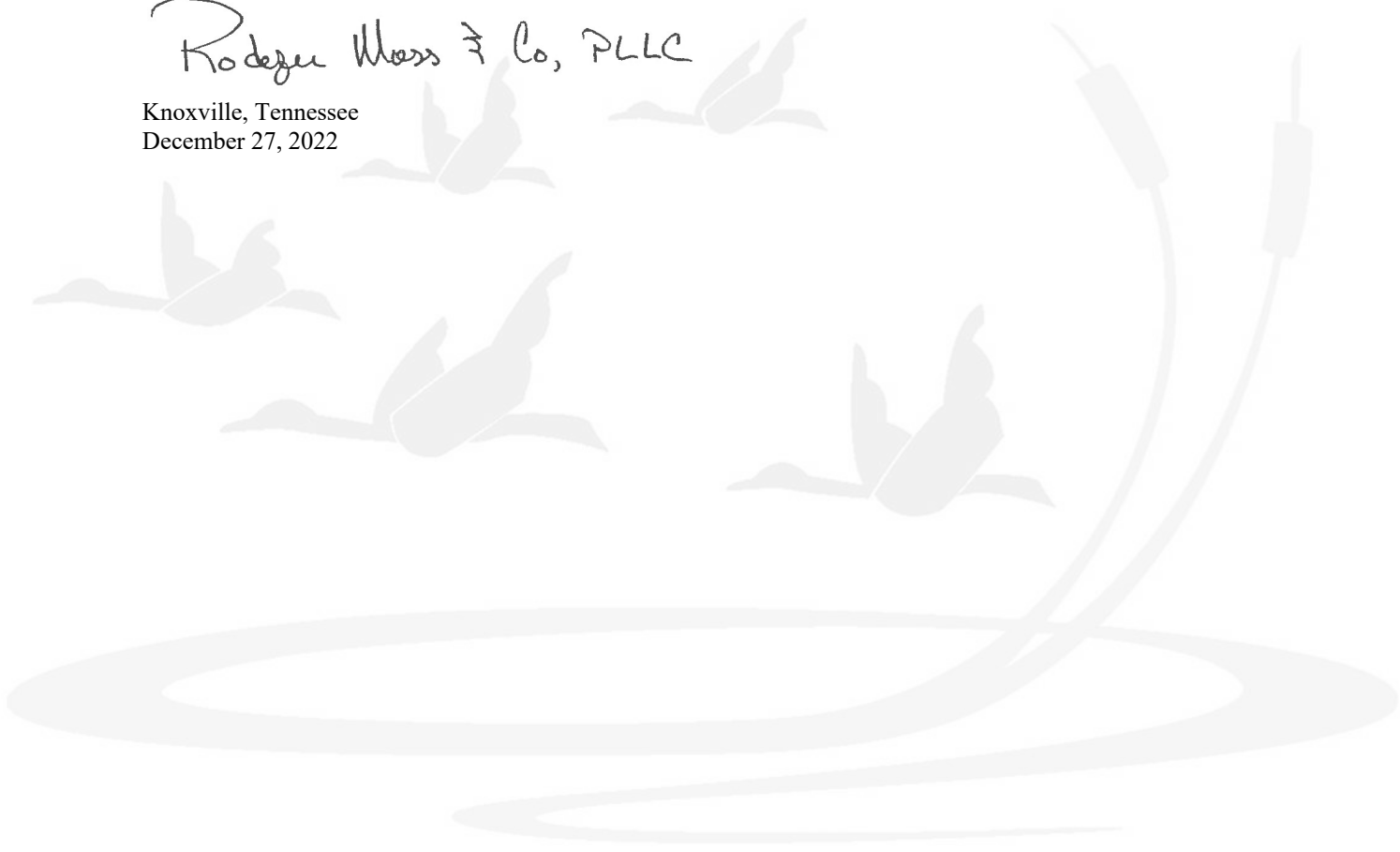
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022, on our consideration of ETHRA'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 ETHRA'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 ETHRA's internal control over financial reporting and compliance.

Rodger Moss & Co, PLLC

Knoxville, Tennessee
December 27, 2022



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis
Year Ended June 30, 2022

This section of the East Tennessee Human Resource Agency, Inc. ("ETHRA") financial report is a narrative discussion and analysis by management of the financial activities for the fiscal year ended June 30, 2022. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

Overview of the Basic Financial Statements

The basic financial statements are comprised of four sections:

1. Government-wide financial statements
 - i. Statement of Net Position
 - ii. Statement of Activities
2. Governmental Fund financial statements
 - i. Balance Sheet
 - ii. Statement of Revenues, Expenditures, and Changes in Fund Balances
 - iii. Reconciliation of governmental fund financial statements to government-wide financial statements
3. Proprietary Fund financial statements
 - i. Statement of Net Assets
 - ii. Statement of Revenues, Expenditures, and Changes in Net Position
 - iii. Statement of Cash Flows
4. Fiduciary Fund financial statements
 - i. Statement of Net Position
 - ii. Statement of Changes in Net Position

A "government-wide" view of the financial position of ETHRA is presented. The Statement of Net Position and the Statement of Activities are used to present this government-wide position.

For the government-wide financial statements, the primary change for ETHRA is the presentation of all capital assets with calculated depreciation. The financial records retain some capital assets as completely expended to grants when purchased, while the majority of the assets are tracked in the Internal Service Funds, which allows for the tracking of depreciation. By separating capital from operations, a clearer picture of operations can be reported. The historical costs of all capital assets are included on the Statement of Net Position (net of calculated accumulated depreciation). The current year calculated depreciation is included in the Statement of Activities. Current year capital expenditures are removed to prevent duplicate measurement. The effects of this change are reconciled on the governmental fund financial statements.

The governmental fund financial statements combine General Fund and Human Resource Services Fund operations. Governmental fund financial statements are presented on the traditional modified accrual basis with the addition of the reconciliation to the government-wide financial statements.

The General Fund includes ETHRA administration and unrestricted resource management.

The Human Resource Services Fund accounts for all activities from governmental programs that have a defined income and expense stream, regardless of source of funding. This includes most of the programs at ETHRA, since ETHRA is designed to deliver human resource services.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

The Proprietary Fund financial statements present all business-like activities. ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, House and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program, which administers housing vouchers to eligible people for rental assistance, and Transportation Enterprise, which includes fixed contracts for transportation services. These activities are reported as business-like activities for the year ended June 30, 2022.

ETHRA has four Internal Service Funds. These funds are used to track the major equipment in transportation including the sales of vehicles and fringe benefits for all ETHRA employees. There is also a vehicle pool, where vehicles are used by all programs and mileage rate is charged to the programs.

The Fiduciary Fund financial statements present all trust and agency activities. These are activities that are solely for the benefit of other designated parties. The Public Guardian Trust and HUD Family Self Sufficiency Escrow are fiduciary activities of ETHRA. The nature of operating grants and social media programs require great attention to available cash. Many of the grants and programs operate on a reimbursement basis. In those cases, cash is needed to fund operations for a time until the reimbursement is received. Therefore, it is critical to manage available cash to ensure that programs can continue operating when services are needed.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

Analysis of Financial Position

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
Assets			
Cash and cash equivalents and investments	\$ 8,484,974	\$ 8,211,545	\$ 273,429
Capital assets (net of accumulated depreciation)	4,180,257	2,972,375	1,207,882
Right of use leased assets, net of amortization	1,742,513	-	1,742,513
Receivables from grantors, contractors, and others	10,016,076	8,984,485	1,031,591
Prepaid expenses and deposits	199,947	298,553	(98,606)
Total Assets	<u>24,623,767</u>	<u>20,466,958</u>	<u>4,156,809</u>
Liabilities			
Accounts payable	3,073,793	3,349,229	(275,436)
Accrued expenses	5,243,122	4,516,474	726,648
Lease liability	1,792,013	-	1,792,013
Total Liabilities	<u>10,108,928</u>	<u>7,865,703</u>	<u>2,243,225</u>
Net Position			
Investment in capital assets	4,180,257	2,972,375	1,207,882
Restricted net position	8,390,763	6,310,185	2,080,578
Unrestricted net position	1,943,819	3,318,695	(1,374,876)
Total Net Position	<u>\$ 14,514,839</u>	<u>\$ 12,601,255</u>	<u>\$ 1,913,584</u>
Revenues			
Operating grants and contributions	\$ 42,576,476	\$ 40,048,091	\$ 2,528,385
Charges for services	8,229,637	8,029,742	199,895
Assessment to local governments	260,190	261,490	(1,300)
Total Revenues	<u>51,066,303</u>	<u>48,339,323</u>	<u>2,726,980</u>
Expenses			
General government	(348,640)	(111,635)	(237,005)
Aging	10,502,070	10,496,624	5,446
ETHRA aging	1,072,646	1,570,877	(498,231)
Transportation	11,542,500	9,932,828	1,609,672
Workforce development	8,769,367	8,161,990	607,377
Housing and restoration	4,437,124	4,588,894	(151,770)
Title V	1,006,652	1,055,693	(49,041)
Corrections and probation	1,840,673	1,820,883	19,790
Child and family assistance	3,841,858	3,986,806	(144,948)
Homemaker	465,027	387,890	77,137
Mountain Valley	719,955	564,768	155,187
Loan	348	(1,339)	1,687
Misdemeanor	1,176,764	1,019,668	157,096
Transportation Enterprise	132,708	125,803	6,905
HUD Housing Choice Voucher	3,993,667	3,698,935	294,732
Total Expenses	<u>49,152,719</u>	<u>47,298,685</u>	<u>1,854,034</u>
Transfers	-	(49)	49
Change in Net Position	<u>\$ 1,913,584</u>	<u>\$ 1,040,589</u>	<u>\$ 872,995</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Management's Discussion & Analysis (Continued)

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition of operating the grant. The only form of unrestricted cash available to ETHRA is the assessments to the counties served by ETHRA and undesignated donations. In 2022, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

ETHRA had an increase in net position of \$1,913,584 and a total net position of \$14,514,839. Overall, during FY22, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget.

Most of the CARES / COVID grants ended in fiscal year 2022, with a few that ended on September 30, 2022. These grants are tracked and reported on separate lines on the Grant Schedule.

ETHRA Transportation Program had a slight surplus of \$38,122. Transportation is expected to continue a positive balance in FY23.

ETHRA received several new grants with various State of Tennessee agencies. Some of these include a new water assistance program from THDA, ARP funds from TCAD and THDA, and National Dislocated Worker grant from TDOL.

TDOC restructured the Community Corrections program effective July 1, 2022. Beginning in FY23, ETHRA will operate two Day Reporting Centers, one in Hamblen and one in Blount. This change resulted in a reduction in staff and clients.

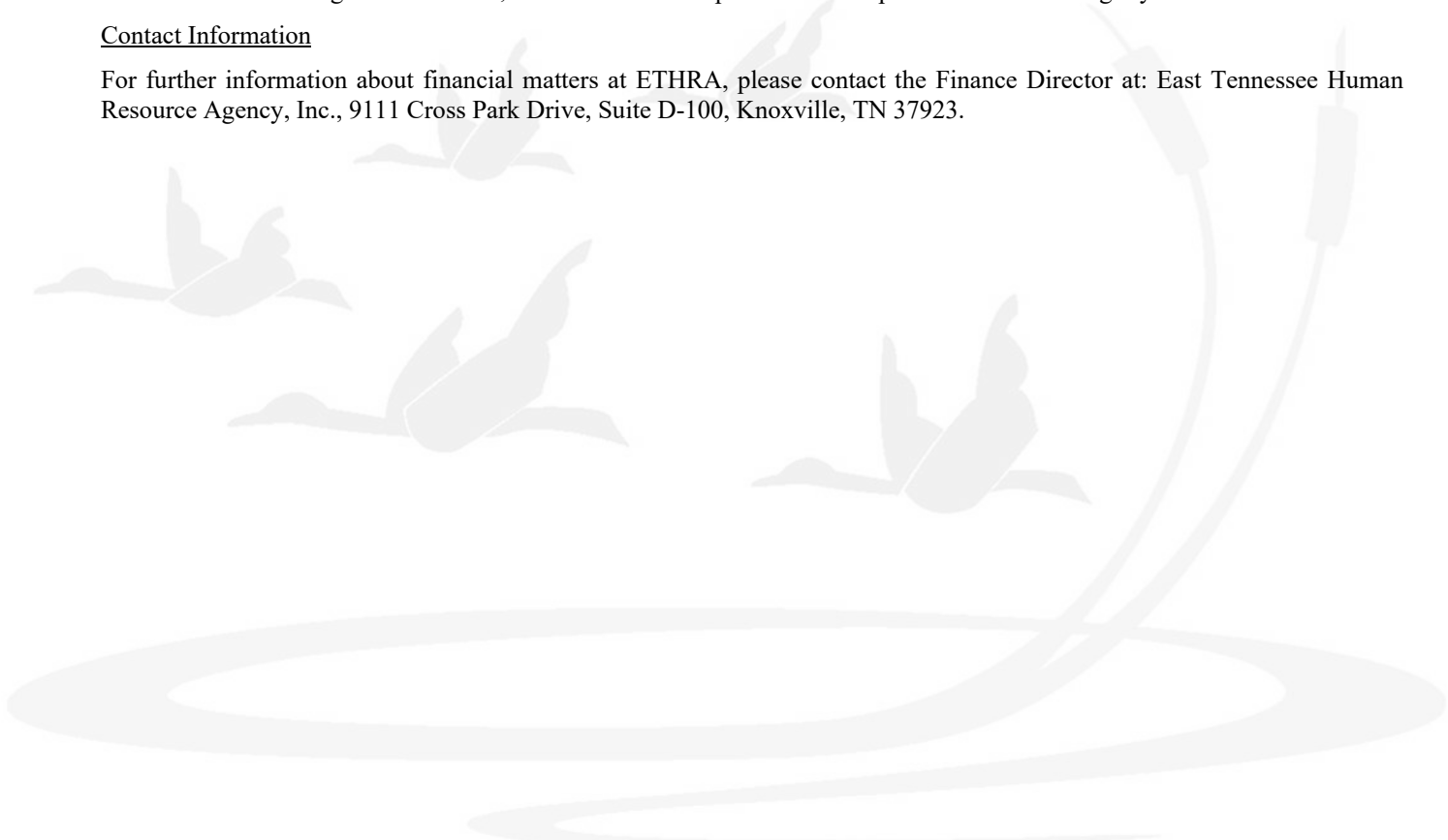
A few programs; mobile meals, senior centers, and office on aging, continue to suffer from reduced revenues and rising expenses, which is negatively impacting the delivery of these services. There are ongoing discussions about increasing revenues and reducing costs to maintain the financial stability of the affected programs.

Economic Factors and Next Fiscal Year

ETHRA contracts primarily with agencies within the State of Tennessee. As various economic factors impact the state, federal, and local governments, ETHRA can be affected by the amounts of funding available through grants and contracts. Although effects can be positive or negative due to the economic environment, there are some concerns related to on-going fiscal discussions in Washington. As a result, ETHRA's overall operations are expected to decrease slightly.

Contact Information

For further information about financial matters at ETHRA, please contact the Finance Director at: East Tennessee Human Resource Agency, Inc., 9111 Cross Park Drive, Suite D-100, Knoxville, TN 37923.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,738,464	\$ 724,228	\$ 8,462,692
Investments	22,282	-	22,282
Receivables, net of allowance for uncollectible accounts	9,580,836	18,951	9,599,787
Loans receivable	416,289	-	416,289
Deposits	10,744	500	11,244
Prepaid expenditures	188,703	-	188,703
Right of use leased assets, net of amortization	1,552,560	189,953	1,742,513
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	597,649	-	597,649
Furniture and equipment	79,600	-	79,600
Vehicles	3,442,269	28,125	3,470,394
Total capital assets, net	<u>4,152,132</u>	<u>28,125</u>	<u>4,180,257</u>
Total assets	<u>\$ 23,662,010</u>	<u>\$ 961,757</u>	<u>\$ 24,623,767</u>
Liabilities			
Accounts payable	\$ 3,055,076	\$ 18,717	\$ 3,073,793
Accrued expenses	5,243,122	-	5,243,122
Lease liability	1,597,471	194,542	1,792,013
Total liabilities	<u>9,895,669</u>	<u>213,259</u>	<u>10,108,928</u>
Net Position			
Investment in capital assets	4,152,132	28,125	4,180,257
Restricted for:			
THDA - House Loan	1,198,227	-	1,198,227
MVEOA	218,608	-	218,608
East Tennessee Foundation Investment	22,282	-	22,282
Human Resource Services	6,951,646	-	6,951,646
Unrestricted	1,223,446	720,373	1,943,819
Total net position	<u>\$ 13,766,341</u>	<u>\$ 748,498</u>	<u>\$ 14,514,839</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
	Direct	Indirect	Charges for Services	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities:							
General government	\$ 2,137,627	\$ (2,486,267)	\$ -	\$ 1,861,440	\$ 2,210,080	\$ -	\$ 2,210,080
Aging	10,066,528	435,542	164,709	11,384,836	1,047,475	-	1,047,475
ETHRA Aging	988,410	84,236	41,388	115,081	(916,177)	-	(916,177)
Transportation	10,254,560	1,287,940	2,036,227	8,604,329	(901,944)	-	(901,944)
Workforce development	8,648,908	120,459	529,280	8,233,039	(7,048)	-	(7,048)
Housing and restoration	4,366,726	70,398	-	4,430,253	(6,871)	-	(6,871)
Title V	992,571	14,081	-	1,006,343	(309)	-	(309)
Corrections and probation	1,720,363	120,310	59,546	1,727,771	(53,356)	-	(53,356)
Child and Family Assistance	3,802,531	39,327	-	4,058,136	216,278	-	216,278
Homemaker	430,191	34,836	-	434,617	(30,410)	-	(30,410)
Mountain Valley	662,159	57,796	-	709,503	(10,452)	-	(10,452)
Loan	348	-	-	11,128	10,780	-	10,780
Total governmental activities	<u>44,070,922</u>	<u>(221,342)</u>	<u>2,831,150</u>	<u>42,576,476</u>	<u>1,558,046</u>	<u>-</u>	<u>1,558,046</u>
Business-type activities							
Misdemeanor	1,031,199	145,565	1,228,862	-	-	52,098	52,098
Transportation Enterprise	115,028	17,680	227,876	-	-	95,168	95,168
HUD Housing Choice Voucher	3,935,570	58,097	31,095	3,910,654	-	(51,918)	(51,918)
Total business-type activities	<u>5,081,797</u>	<u>221,342</u>	<u>1,487,833</u>	<u>3,910,654</u>	<u>-</u>	<u>95,348</u>	<u>95,348</u>
Total primary government	<u>\$ 49,152,719</u>	<u>\$ -</u>	<u>\$ 4,318,983</u>	<u>\$ 46,487,130</u>	<u>1,558,046</u>	<u>95,348</u>	<u>1,653,394</u>
General revenues							
Assessment to local governments					260,190	-	260,190
Transfers					-	-	-
Total general revenues					<u>260,190</u>	<u>-</u>	<u>260,190</u>
Change in net position					1,818,236	95,348	1,913,584
Net position - beginning					<u>11,948,105</u>	<u>653,150</u>	<u>12,601,255</u>
Net position - ending					<u>\$ 13,766,341</u>	<u>\$ 748,498</u>	<u>\$ 14,514,839</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Balance Sheet
 Governmental Funds
 June 30, 2022

	General	Human Resource Service	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,707,964	\$ 463,005	\$ 2,170,969
Investments	22,282	-	22,282
Grant and contract receivables, net of allowance for uncollectible	-	9,580,836	9,580,836
Loans receivable	-	416,289	416,289
Deposits	5,744	5,000	10,744
Prepaid expenditures	21,723	10,481	32,204
	<u>1,757,713</u>	<u>10,475,611</u>	<u>12,233,324</u>
Total assets	\$ 1,757,713	\$ 10,475,611	\$ 12,233,324
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 177,982	\$ 3,012,967	\$ 3,190,949
Accrued expenses	43,762	310,657	354,419
	<u>221,744</u>	<u>3,323,624</u>	<u>3,545,368</u>
Total liabilities	221,744	3,323,624	3,545,368
Fund balances			
Nonspendable	27,467	-	27,467
Restricted	22,282	7,151,987	7,174,269
Unassigned	1,486,220	-	1,486,220
	<u>1,535,969</u>	<u>7,151,987</u>	<u>8,687,956</u>
Total fund balances	1,535,969	7,151,987	8,687,956
Total liabilities and fund balances	\$ 1,757,713	\$ 10,475,611	\$ 12,233,324
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,173,389.			\$ 4,152,132
Right of use leased assets, net of accumulated amortization used in governmental activities are not financial resources and therefore are not reported in funds.			1,552,560
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.			(1,597,471)
The Internal Service Fund is used by management to charge major equipment purchases and fringe benefits for all ETHRA employees. The assets and liabilities of the Internal Service fund are included in Governmental Activities in the Government-Wide Statement of Net Position.			<u>971,164</u>
Net position of governmental activities			\$ 13,766,341

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022

	General	Human Resource Service	Total Governmental Funds
Revenues			
Grantor contributions	\$ -	\$ 40,156,629	\$ 40,156,629
Program income	-	2,692,036	2,692,036
USDA	-	344,701	344,701
Assessments to local governments	260,190	40,050	300,240
In-kind contributions	-	185,191	185,191
Other income	4,165	116,438	120,603
Interest income	-	11,141	11,141
Total revenues	<u>264,355</u>	<u>43,546,186</u>	<u>43,810,541</u>
Expenditures			
Current			
General government	(43,157)	-	(43,157)
Aging	-	10,390,012	10,390,012
ETHRA Aging	-	1,042,876	1,042,876
Workforce Development	-	8,610,956	8,610,956
Title V	-	1,001,336	1,001,336
Housing and restoration	-	4,421,831	4,421,831
Transportation Call Center	-	10,408,372	10,408,372
Community Corrections	-	1,789,652	1,789,652
Child Care Food	-	3,846,741	3,846,741
Homemaker	-	448,980	448,980
Mountain Valley	-	682,579	682,579
Loan Program	-	348	348
Capital outlay	269,659	1,859,873	2,129,532
Debt service			
Lease principal	91,864	440,287	532,151
Lease interest	11,236	81,304	92,540
Total expenditures	<u>329,602</u>	<u>45,025,147</u>	<u>45,354,749</u>
Excess of revenues over expenditures	<u>(65,247)</u>	<u>(1,478,961)</u>	<u>(1,544,208)</u>
Other Financing (Uses) Sources			
Lease liabilities issued	269,659	1,859,873	2,129,532
Transfers in - match	(115,939)	(169,238)	(285,177)
Total other financing sources, net	<u>153,720</u>	<u>1,690,635</u>	<u>1,844,355</u>
Net change in fund balances	<u>88,473</u>	<u>211,674</u>	<u>300,147</u>
Fund balances at beginning of year	<u>1,447,496</u>	<u>6,940,313</u>	<u>8,387,809</u>
Fund balances at end of year	<u>\$ 1,535,969</u>	<u>\$ 7,151,987</u>	<u>\$ 8,687,956</u>

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 Year Ended June 30, 2022

Net change in fund balances - total governmental funds \$ 300,147

Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation expense	(1,228,998)
Capital assets purchases capitalized	2,451,293
Changes in net position of internal service funds	250,883

The issuance of lease obligations provides current financial resources to governmental funds, while the repayment of the principal of lease obligations consumes the current financial resources of governmental funds.

Neither, however, has any effect on net position	44,911
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Change in net position of governmental activities	\$ 1,818,236
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EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Proprietary Funds
June 30, 2022

	<u>Misdemeanor</u>	<u>HUD HCV</u>	<u>Transportation Enterprise</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
Assets						
Current Assets						
Cash and cash equivalents	\$ 122,022	\$ 318,659	\$ 283,547	\$ 724,228	\$ 5,567,495	
Accounts receivable	-	-	18,951	18,951	-	
Prepaid expenditures and deposits	500	-	-	500	156,499	
Total current assets	<u>122,522</u>	<u>318,659</u>	<u>302,498</u>	<u>743,679</u>	<u>5,723,994</u>	
Noncurrent Assets						
Right to use leased assets, net	151,191	38,377	385	189,953	-	
Capital assets						
Vehicles, net	-	28,125	-	28,125	1,001,483	
Total noncurrent assets	<u>151,191</u>	<u>66,502</u>	<u>385</u>	<u>218,078</u>	<u>1,001,483</u>	
Total assets	<u>\$ 273,713</u>	<u>\$ 385,161</u>	<u>\$ 302,883</u>	<u>\$ 961,757</u>	<u>\$ 6,725,477</u>	
Liabilities						
Current Liabilities						
Accounts payable	\$ 3,767	\$ 14,934	\$ 16	\$ 18,717	\$ (135,873)	
Accrued expenses	-	-	-	-	4,888,703	
Lease liability, due within one year	45,963	21,403	90	67,456	-	
Total current liabilities	49,730	36,337	106	86,173	4,752,830	
Lease liability, due after one year	108,597	18,187	302	127,086	-	
Total liabilities	<u>158,327</u>	<u>54,524</u>	<u>408</u>	<u>213,259</u>	<u>4,752,830</u>	
Net Position						
Investment in capital assets	-	28,125	-	28,125	1,001,483	
Unrestricted net position	115,386	302,512	302,475	720,373	971,164	
Total net position	<u>\$ 115,386</u>	<u>\$ 330,637</u>	<u>\$ 302,475</u>	<u>\$ 748,498</u>	<u>\$ 1,972,647</u>	

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2022

					Governmental Activities
	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Internal Service Funds
Operating Revenues					
Grantor contributions	\$ -	\$ 3,910,654	\$ -	\$ 3,910,654	\$ 2,035,920
Program income	1,228,193	4,779	194,320	1,427,292	-
Other revenue (expense)	669	26,316	33,556	60,541	(178,645)
Total operating revenues, net	<u>1,228,862</u>	<u>3,941,749</u>	<u>227,876</u>	<u>5,398,487</u>	<u>1,857,275</u>
Operating Expenses					
Salaries	564,888	230,764	69,626	865,278	47,991
Fringe benefits	174,110	71,617	21,906	267,633	(581,376)
Grant and program costs	-	3,541,499	-	3,541,499	-
Occupancy	52,071	2,296	399	54,766	-
Consultants and contracted services	2,235	3,831	141	6,207	-
Gasoline	-	-	15,794	15,794	32,144
Telephone	38,490	6,001	-	44,491	-
Training and conferences	41,928	281	-	42,209	-
Travel	41,782	6,758	-	48,540	-
Supplies	15,065	2,952	77	18,094	-
Insurance and bonding	11,689	8,694	6,985	27,368	30,790
Maintenance and repairs	13,657	11,421	31	25,109	34,446
Rentals	7,005	4,089	(31)	11,063	2,934
Depreciation and amortization	45,811	35,448	84	81,343	89,775
Postage and freight	4,355	7,119	-	11,474	-
Printing	7,621	1,099	16	8,736	-
Other expenses	10,492	1,701	-	12,193	21
Indirect cost allocation	145,565	58,097	17,680	221,342	-
Total operating expenses	<u>1,176,764</u>	<u>3,993,667</u>	<u>132,708</u>	<u>5,303,139</u>	<u>(343,275)</u>
Operating income (loss)	52,098	(51,918)	95,168	95,348	2,200,550
Transfers out	-	-	-	-	(1,949,667)
Change in net position	52,098	(51,918)	95,168	95,348	250,883
Total net position - beginning	<u>63,288</u>	<u>382,555</u>	<u>207,307</u>	<u>653,150</u>	<u>1,721,764</u>
Total net position - ending	<u>\$ 115,386</u>	<u>\$ 330,637</u>	<u>\$ 302,475</u>	<u>\$ 748,498</u>	<u>\$ 1,972,647</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	Misdemeanor	HUD HCV	Transportation Enterprise	Total	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities					
Cash received from supervision fees	\$ 1,184,798	\$ -	\$ -	\$ 1,184,798	\$ -
Cash received from fees	43,395	4,779	205,686	253,860	(3,275)
Cash received from grants	-	3,911,506	-	3,911,506	2,035,920
Cash received from other revenue	575	26,316	33,556	60,447	(178,645)
Cash received from interest	94	-	-	94	-
Payments to employees	(564,888)	(230,764)	(69,626)	(865,278)	(47,991)
Payments for fringe benefits	(174,110)	(71,617)	(21,906)	(267,633)	581,376
Payments to vendors	(293,970)	(3,680,208)	(23,491)	(3,997,669)	362,372
Payments for indirect costs	(145,565)	(58,097)	(17,680)	(221,342)	-
Cash flows from operating activities	<u>50,329</u>	<u>(98,085)</u>	<u>106,539</u>	<u>58,783</u>	<u>2,749,757</u>
Cash Flows from Investing Activities					
Transfers to other funds	-	-	-	-	(1,949,667)
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,949,667)</u>
Cash Flows from Capital and Related Financing Activities					
Leased assets	3,369	1,213	7	4,589	-
Proceeds from sale of capital assets	-	-	-	-	45,723
Cash flows from capital and related financing activities	<u>3,369</u>	<u>1,213</u>	<u>7</u>	<u>4,589</u>	<u>45,723</u>
Net Change in Cash and Cash Equivalents	53,698	(96,872)	106,546	63,372	845,813
Balance - beginning of the year	<u>68,324</u>	<u>415,531</u>	<u>177,001</u>	<u>660,856</u>	<u>4,721,682</u>
Balances - end of the year	<u>\$ 122,022</u>	<u>\$ 318,659</u>	<u>\$ 283,547</u>	<u>\$ 724,228</u>	<u>\$ 5,567,495</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating income (loss)	\$ 52,098	\$ (51,918)	\$ 95,168	\$ 95,348	\$2,200,550
Adjustments					
Depreciation expense	-	14,460	-	14,460	89,775
Gain on disposal of capital assets	-	-	-	-	(45,723)
Change in assets and liabilities:					
Increase (decrease) in accounts receivable	-	852	11,366	12,218	-
(Increase) decrease in prepaid expenditure	(481)	-	-	(481)	(3,275)
Increase (decrease) in accounts payable and accrued expenses	(1,288)	(61,479)	5	(62,762)	508,430
Net cash flows from operating activities	<u>\$ 50,329</u>	<u>\$ (98,085)</u>	<u>\$ 106,539</u>	<u>\$ 58,783</u>	<u>\$ 2,749,757</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Net Position
Fiduciary Funds
June 30, 2022

	<u>Custodial Funds</u>
Assets	
Cash and cash equivalents	\$ 1,167,823
Other receivables	3,711
Investments, at fair values	
Investment accounts	3,311,754
Land and buildings	<u>607,410</u>
Total assets	<u>\$ 5,090,698</u>
Liabilities	
Accounts payable	\$ 495
Assets held for others	<u>10,589</u>
Total liabilities	<u>11,084</u>
Net Position	
Held in trust	<u>5,079,614</u>
Total net position	<u>\$ 5,079,614</u>



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2022

	Custodial Funds
Additions	
Contributions	\$ 1,015,787
Trust account income	583,889
Interest	841
Total additions	1,600,517
Deductions	
Nursing home/residential care	648,425
Distributions to beneficiaries	1,481,939
Legal	166,441
Medical and dental	46,874
Living expenses	68,324
Burial expenses	42,384
Other expenses	375,778
Insurance	29,691
Evaluations	6,153
Bank fee	15
Taxes	11,009
Total deductions	2,877,033
Change in net position	(1,276,516)
Net position at beginning of year	6,356,130
Net position at end of year	\$ 5,079,614

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity - East Tennessee Human Resource Agency, Inc., (“ETHRA”) was established in 1974 in accordance with Title 13, Chapter 26, as amended, of Tennessee Code Annotated. This legislation establishes a nine region statewide system to deliver human resource services and programs to Tennessee citizens for Tennessee’s local governments. ETHRA is governed by a ninety-eight member Governing Board and a thirty-four member Policy Council.

The Governing Board consists of:

- County and City Mayors within the established region served by ETHRA,
- one State Senator and one State Representative whose districts lie wholly or in part within the established region served by ETHRA,
- and one additional member from each county of the region, appointed by the County Mayor

The Public Council consists of:

- two Governing Board members from each county within the established region
- and two legislators

ETHRA also operates the Mountain Valley Economic Opportunity Authority (“MVEOA”) under a management agreement with the MVEOA Board of Directors. For financial reporting purposes, ETHRA includes all human resource services and programs over which the Board of Directors is financially accountable, including the MVEOA.

Basis of Presentation - The accompanying statements of ETHRA have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (“GASB”).

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by grants and contracts, are reported separately from *business-type* activities, which rely on a significant extent of fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Accounting Structure and Basis - The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accounting Structure and Basis - (Continued) Accounting transactions are tracked according to program activities.

The following describes how ETHRA's accounting activities are maintained and presented:

General Fund - ETHRA administrative and unrestricted resources are reported in the General Fund.

Human Resource Services Fund - The governmental program activities are reported in the Human Resource Services Fund. These are transactions relating to resources obtained and used for the delivery of programs (including all cost-reimbursement and performance based grant agreements).

Proprietary Fund - ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, Housing and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program, which administers housing vouchers to eligible people for rental assistance, and Transportation Enterprise, which includes fixed contracts for transportation services that are not based on participant fees.

Fiduciary Fund - ETHRA programs requiring fiduciary responsibility are accounted for in the Fiduciary Fund.

One of these fiduciary responsibilities is to account for participant assets held by ETHRA under the Public Guardianship program. The Public Guardianship program was created by Title 34, Chapter 7, of Tennessee Code Annotated, "to aid disabled persons over sixty (60) years of age who have no family member or friend who is willing and able to serve as conservator or guardian." ETHRA manages persons', who have been deemed wards of the states ("wards"), assets in accordance with court orders and trust agreements.

Assets such as real estate are stated at fair value at the time of transfer to ETHRA.

The transfer of the assets to ETHRA is shown as a contribution from beneficiaries. Income derived from the wards' assets is shown in appropriate revenue accounts.

Assets returned to the wards, their estates or other third parties representing the wards are shown as distributions to beneficiaries. Any expenditures made on behalf of the wards are reflected in other appropriate expenditure accounts.

The Fiduciary Fund is also used for ETHRA's deposits for payments in lieu of HUD Section 8 rental and utility assistance into an escrow account for participants enrolled in the Family Self-Sufficiency program. The participant receives the funds upon successful completion of the program. Forfeited deposits are used to fund other participants in the program.

Agency Fund - These are activities where amounts are held in trust or on behalf of others. These activities include:

- 1) ETHRA collects donations from employees for funeral flowers or donations and for other purposes determined by employees.
- 2) ETHRA holds unclaimed checks until the amounts can be sent to the State of Tennessee as unclaimed property.

As a general rule the effect of interfund activity has been eliminated from both the governmental fund and government-wide financial statements. ETHRA is designated as an Area Agency on Aging and Disability and as such contracts several programs within ETHRA. The related revenues and expenses from these transactions have been eliminated to avoid duplicate reporting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Misdemeanor Program, Transportation Enterprise, and HUD HCV Program are charges for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accounting Structure and Basis - (Continued) ETHRA charges each of the programs an indirect rate of 19.5% of salaries and fringe cost. In some cases, the rate is limited by the specific program grant.

Budgetary Process - ETHRA does not have an annual appropriated budget. The grant documents, service contracts, and program projections serve as the financial plans for budgetary purposes.

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions, and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors, and it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor or other receivables at June 30, 2022.

Deposits - ETHRA's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - Investments are limited to those authorized by Tennessee State Law. State statutes authorize ETHRA to invest in Treasury bonds, notes, or bills of the United States; non-convertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or its agencies; certificates of deposit at State and Federal chartered banks and savings and loan associations, obligations of the United States or its agencies under a repurchase agreement, and money market funds whose portfolios consist of any of the foregoing instruments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the Local Government Investment Pool ("LGIP"); obligations of the Public Housing Authority; and the bonds of the Tennessee Valley Authority. State statutes limit maturities of the above instruments to two years from the date of investment unless a longer maturity is approved by the State Director of Local Finance. Investments are recorded at fair value. ETHRA has not adopted a formal investment policy that limits its interest rate or credit risk.

Custodial credit risk is the risk that, in the event of a bank failure, ETHRA's deposits may not be returned. Although ETHRA has not adopted a formal policy, its policy is to fully collateralize bank deposits in excess of federally insured amounts.

The investments in the General Fund represent funds held by the East Tennessee Foundation in ETHRA's name.

The investments in the Fiduciary Fund consist of savings bonds and other investments held in the individual wards' names.

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

The amount owed to the Agency Fund by the General Fund and Human Resource Services Fund represents unclaimed checks. These are outstanding checks older than ninety days that are subject to escheatable property procedures.

Interfund activity for operations is accounted for through equity in cash balances.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 4 - PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 5 - DEFERRED COMPENSATION PLAN

ETHRA offers its employees a tax deferred annuity plan, ETHRA Tax Sheltered Annuity 403(b). The plan is available to any full-time or part-time employee.

The tax-deferred annuity plan was established in accordance with Section 403(b) of the Internal Revenue Service's Code. The plan allows employees to shelter a portion of their salaries. All costs for administering this program are the responsibility of the plan participants. Since the 403(b) plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. ETHRA is the plan administrator. Effective September 1, 2019, ETHRA is a participant in RetireReadyTN, Tennessee's Retirement Program, and qualified employees can contribute to its 401(k) and 457 plans. These programs are administered by the Tennessee Treasury Department, with Empower Retirement serving as the official record-keeper.

Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by ETHRA each payroll period. ETHRA will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to the employee until they are fully vested. Employee deferrals for the year ended June 30, 2022, were \$543,480 and ETHRA's matching contribution was \$347,756.

NOTE 6 - OPERATING LEASE AGREEMENTS

For the year ended June 30, 2022, ETHRA's financial statement include the adoption of GASB Statement No. 87, Leases ("GASB No.87") (see Note 7 for further details). There are certain short-term and month-to-month leases that are not accounted for under GASB 87. ETHRA leases offices and storage space to administer agency programs. All leases are cancelable at ETHRA's option. ETHRA incurred operating lease payments of \$477,289 in fiscal year 2022. Operating lease requirements under these agreements for the next five years and thereafter will be approximately as follows:

<u>Year ending June 30,</u>	
2023	<u>\$ 329,821</u>

NOTE 7 - RIGHT OF USE LEASED ASSETS AND LEASE LIABILITIES

ETHRA has recorded right of use lease assets as a result of implementing GASB 87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

ETHRA has recorded eighteen right of used leased assets. The assets are right of use assets for leased office space and equipment. The right of use lease assets are amortized on a straight-line basis over the terms of the related leases.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 7 - RIGHT OF USE LEASED ASSETS AND LEASE LIABILITIES - (Continued)

Right of use asset activity for ETHRA for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>07/01/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/22</u>
Right of use assets				
Leased office space	\$ -	\$ 2,088,655	\$ -	\$ 2,088,655
Leased equipment	-	297,713	-	297,713
Total right of use assets at cost	-	2,386,368	-	2,386,368
Less accumulated amortization for:				
Leased office space	-	(590,797)	-	(590,797)
Lease equipment	-	(53,058)	-	(53,058)
Total accumulated amortization	-	(643,855)	-	(643,855)
Right of use assets, net	<u>\$ -</u>	<u>\$ 1,742,513</u>	<u>\$ -</u>	<u>\$ 1,742,513</u>

Related lease activity for ETHRA for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>07/01/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>06/30/22</u>	<u>Due Within</u> <u>One Year</u>
Lease liabilities	<u>\$ -</u>	<u>\$ 2,395,714</u>	<u>\$ (603,701)</u>	<u>\$ 1,792,013</u>	<u>\$ 650,256</u>

The future minimum lease payments as of June 30, 2022, are as follows:

<u>Principal and Interest Expected to Maturity</u>			
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2023	\$ 650,256	\$ 74,831	\$ 725,087
2024	492,521	43,817	536,338
2025	258,291	26,597	284,888
2026	257,541	13,659	271,200
2027	120,284	3,508	123,792
2028-2032	<u>13,120</u>	<u>110</u>	<u>13,230</u>
	<u>\$ 1,792,013</u>	<u>\$ 162,522</u>	<u>\$ 1,954,535</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 8 - CAPITAL ASSETS

Governmental and business-type activities' capital asset changes for the year ended June 30, 2022 were as follows:

	<u>Balance</u> <u>07/01/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/22</u>
Capital Assets not being depreciated:				
Land	\$ 32,614	\$ -	\$ -	\$ 32,614
Other capital assets:				
Building Total	1,230,729	-	-	1,230,729
Furniture & Equipment Total	2,373,940	-	(6,300)	2,367,640
Leasehold improvements Total	243,382	-	-	243,382
Vehicles Total	<u>6,921,372</u>	<u>2,478,628</u>	<u>(1,948,576)</u>	<u>7,451,424</u>
Total other capital asset at cost	<u>10,769,423</u>	<u>2,478,628</u>	<u>(1,954,876)</u>	<u>11,293,175</u>
Less accumulated depreciation for:				
Building Total	(616,020)	(36,997)	-	(653,017)
Furniture & Equipment Total	(2,296,848)	(6,130)	6,300	(2,296,678)
Leasehold improvements Total	(243,382)	-	-	(243,382)
Vehicles Total	<u>(4,715,996)</u>	<u>(1,185,872)</u>	<u>1,921,288</u>	<u>(3,980,580)</u>
Total accumulated depreciation	<u>(7,872,246)</u>	<u>(1,228,999)</u>	<u>1,927,588</u>	<u>(7,173,657)</u>
Governmental capital assets, net	<u>2,929,791</u>	<u>1,249,629</u>	<u>(27,288)</u>	<u>4,152,132</u>
Business-type capital assets:				
Vehicles	366,907	-	(6,100)	360,807
Accumulated depreciation	<u>(324,322)</u>	<u>(14,460)</u>	<u>6,100</u>	<u>(332,682)</u>
Business-type capital assets, net	<u>42,585</u>	<u>(14,460)</u>	<u>-</u>	<u>28,125</u>
Total capital assets, net	<u>\$ 2,972,376</u>	<u>\$ 1,235,169</u>	<u>\$ (27,288)</u>	<u>\$ 4,180,257</u>

Depreciation expenses for the year ended June 30, 2022 were charged to programs/functions as follows:

Pool	\$ 46,648
Transportation	<u>1,182,351</u>
Total depreciation and capital expenses governmental activities	1,228,999
Oak Ridge Transit	<u>14,460</u>
	<u>\$ 1,243,459</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital Assets are presented in the Statement of Net Position (government-wide financial statements). The presentation includes all assets with a historical cost in excess of five thousand dollars that are currently in use by the agency or program.

Capital assets purchased from grants are recorded at acquisition cost and are shown as capital expenditures in the governmental financial statements but are properly reclassified to the Statement of Net Position as capital assets in the government-wide financial statements. Capital assets acquired from unrestricted resources are depreciated on a straight-line basis over their estimated useful lives as prescribed by government depreciation tables. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings	39 years
Land improvements	15 years
Furniture and equipment	7 years
Computer and telephone equipment	5 years
Vehicles	5 years

NOTE 9 - FUND BALANCE

Fund balance is reported in governmental funds under the following categories using definitions provided by GASB Statement 54. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The fund balance amounts must be reported within one of the fund balance categories listed below.

Nonspendable fund balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

The amounts reflected below as nonspendable include advances paid to subcontractors and deposits.

Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.

Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the highest level of decision making authority. The commitment can be removed or changed only by taking the same action. This would result from a formal action of the ETHRA Policy Council.

There are no committed fund balance amounts for fiscal year 2022.

Assigned fund balance - includes amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. It includes any residual amounts in governmental funds other than the general fund. The authority is delegated from the Policy Council to their designee to assign amounts.

There are no assigned fund balance amounts for fiscal year 2022.

Unassigned fund balance - includes the residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 9 - FUND BALANCE - (Continued)

	General	Human Resource Services	Total Governmental Funds
Nonspendable			
Advances and deposits	\$ 27,467	\$ -	\$ 27,467
Restricted for			
Mountain Valley	-	218,608	218,608
Loan	-	1,198,227	1,198,227
Human Resource Services	-	5,735,152	5,735,152
East Tennessee Foundation			
Investment	22,282	-	22,282
Unassigned	1,486,220	-	1,486,220
Total fund balances	\$ 1,535,969	\$ 7,151,987	\$ 8,687,956

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is ETHRA’s policy to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is ETHRA’s policy that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 10 - CONTINGENCIES

Sick Leave - ETHRA records the cost of sick leave when paid. Since sick leave (earned one day per month with a maximum of 60 days) is generally paid only when an employee is absent because of illness, injury, or related family death, there is no recorded liability for sick leave. The amount of unused sick leave was \$1,818,464 at June 30, 2022. Although there is no cash reimbursement for unused sick leave, at termination of employment, a portion of the cash value of unused sick leave, based on Board approval annually, may be placed in an employee’s retirement account. An employee must be employed and a member of the retirement system for three years to be eligible for this benefit.

Litigation - In the normal course of operations, ETHRA could be named as a defendant in various lawsuits. In the opinion management and legal counsel, there is not active lawsuits where the outcome will have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

NOTE 11 - RISK MANAGEMENT

ETHRA participates in the Public Entity Partners (“PEP”) for the following risks of loss: commercial general liability, bodily injury, property damage, personal injury liability for vehicle operation, workers’ compensation, employer’s liability, employee dishonesty; theft of, damage to, or destruction of real and personal property; and personal injury. ETHRA’s agreement with PEP provides for payment of premiums. The agreement also provided for refunds to members and additional member assessments. Additional member assessments are based on the experience of the pool. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

ETHRA carries commercial insurance for the following risks of loss: liability for volunteers and court-referred alternative sentencing volunteer insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Financial Statements (Continued)

NOTE 11 - RISK MANAGEMENT - (Continued)

ETHRA provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. ETHRA's maximum obligation under the basic health insurance policy is limited to \$585 and \$1,318 per month per employee for single and family coverage, respectively. ETHRA's obligation under the disability and life insurance policies are based on the employee's rate of pay.

NOTE 12 - GRANTS

ETHRA receives the majority of its revenues from federal, state and local government grants which require that fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of funds to grantors. ETHRA's ability to continue its programs is directly dependent upon the grantors' continued revenue funding.

NOTE 13 - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans gave management the tools necessary to guide ETHRA through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on ETHRA, the outcome of which is not predictable with assurance, and it is possible that ETHRA could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, after an evaluation of cash, our donor base, and our overhead projections, management believes that any resulting financial impact should not materially affect the future financial position of ETHRA.

NOTE 14 - CARES ACT

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property.

SUPPLEMENTARY INFORMATION



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Expenditures by Program
 Governmental Funds
 For the Year Ended June 30, 2022

Housing & Restoration	Transportation/ Call Center	Community Corrections	Child Care Food	Homemaker	Mountain Valley	Loan Program	Total
\$ 273,278	\$ 5,078,790	\$ 1,041,163	\$ 156,454	\$ 212,833	\$ 232,453	\$ -	\$ 10,761,532
86,436	1,574,793	311,995	42,653	62,509	65,200	-	3,302,222
14,628	141,511	2,440	3,374	566	6,946	330	724,178
9,869	44,681	4,366	11,194	21,959	136,379	-	937,441
2,912	78,738	48,171	3,389	11,688	10,425	-	314,336
8,297	1,068	997	1,154	43	848	-	28,289
167	30,764	11,883	913	1,368	1,970	-	161,072
734	10,637	1,578	774	223	5,244	-	186,365
8,569	39,367	124,182	23,097	69,030	12,244	-	578,148
4,275	371,297	28,695	3,622	3,438	4,859	-	464,565
2,481	69,091	82,790	3,706	10,244	14,886	-	621,626
-	1,465,570	-	-	-	-	-	1,465,570
-	-	-	3,496,818	-	-	-	12,347,516
3,938,690	-	5,874	-	17,507	129,659	12	10,335,356
-	132,313	-	13,300	-	-	-	145,613
-	-	-	-	-	4,272	-	4,272
16,350	214,315	56,183	52,370	18,776	36,747	-	836,193
70,398	1,287,939	120,310	39,327	34,836	57,796	-	(221,339)
-	-	-	-	-	-	-	185,191
<u>4,437,084</u>	<u>10,540,874</u>	<u>1,840,627</u>	<u>3,852,145</u>	<u>465,020</u>	<u>719,928</u>	<u>342</u>	<u>43,178,146</u>
(807)	(65,748)	(53,308)	-	(19,746)	-	-	(87,535)
(807)	(65,748)	(53,308)	-	(19,746)	-	-	(87,535)
<u>\$ 4,436,277</u>	<u>\$ 10,475,126</u>	<u>\$ 1,787,319</u>	<u>\$ 3,852,145</u>	<u>\$ 445,274</u>	<u>\$ 719,928</u>	<u>\$ 342</u>	<u>\$ 43,090,611</u>

See independent auditors' report.

	General	Aging	ETHRA Aging	Workforce Development	Title V
Expenditures					
Current					
Salaries	\$ 1,180,669	\$ 1,702,138	\$ 344,774	\$ 485,433	\$ 53,547
Fringe Benefits	368,880	532,998	91,804	149,292	15,662
Professional Fees	227,997	159,160	22,401	143,778	1,047
Supplies	234,607	42,408	7,539	423,665	774
Telephone	38,805	35,153	11,439	72,544	1,072
Postage and Freight	2,975	9,212	619	1,716	1,360
Equipment Rental & Maintenance	79,387	6,386	2,247	25,044	943
Printing & Publications	104,052	3,994	1,782	57,161	186
Travel, Training, Conferences	78,340	134,336	50,080	35,577	3,326
Insurance	905	29,776	9,274	7,464	960
Occupancy	26,070	2,670	11,359	397,606	723
Fuel & Maintenance	-	-	-	-	-
Grants & Allocations	-	5,217,290	-	3,604,706	28,702
Participant	-	2,004,428	390,961	3,082,666	765,559
Capital	-	-	-	-	-
Depreciation	-	-	-	-	-
Other	115,173	126,827	31,485	162,192	5,775
Indirect cost allocation	(2,486,264)	435,542	84,237	120,459	14,081
In-Kind	-	59,684	12,592	-	112,915
Total Expenditures	(28,404)	10,502,002	1,072,593	8,769,303	1,006,632
Other Financing Sources (Uses)					
Transfers - match	28,404	980,988	(957,030)	-	(288)
Total other financing sources (uses)	28,404	980,988	(957,030)	-	(288)
Total expenditures	\$ -	\$ 11,482,990	\$ 115,563	\$ 8,769,303	\$ 1,006,344

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Non-Cash Assistance
For the Year Ended June 30, 2022

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE:

	<u>GRANT #</u> <u>83265-66715</u>	<u>GRANT #</u> <u>83265-70714</u>	<u>TOTALS</u>
<u>CFDA #</u>	10.568	10.568	
<u>PROGRAM NAME</u>	Emergency Food Assistance Program	Emergency Food Assistance Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2021</u>	\$ 87,462	\$ -	\$ 87,462
<u>Receipts</u>	117,074	263,117	380,191
<u>Change in USDA Rate</u> (2)	(1,228)	(6,372)	(7,600)
<u>Other Additions</u> (3)	-	-	-
<u>Commodities Distributed</u>	62,854	339,152	402,006
<u>Other Deductions</u> (4)	-	-	-
<u>Balance 6/30/2022</u>	<u>\$ 140,454</u>	<u>\$ (82,407)</u>	<u>\$ 58,047</u>

- (1) This schedule represents the fair value of noncash assistance based on per unit commodities values provided by the Tennessee Department of Agriculture.
- (2) This amount includes a change in the USDA values for commodities on hand as of 6/30/2022.
- (3) This amount represents a reconciliation between physical inventory and book inventory.
- (4) This amount represents lost and damaged commodities.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants
For the Year Ended June 30, 2022

Federal/Pass-through Agency Program Title	CFDA Number		
U.S. Department of Agriculture			
Passed through Tennessee Department of Agriculture			
SNAP Cluster			
Supplemental Nutrition Assistance Program	10.561	\$	54,774
Food Distribution Cluster			
Emergency Food Assistance Program (Administration)	10.568		40,899
Passed through Tennessee Department of Human Services			
Child and Adult Care Food Program	10.558		3,670,173
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559		387,962
Total U. S. Department of Agriculture		\$	<u>4,153,808</u>
U.S. Department of Housing and Urban Development			
Housing Voucher Cluster			
Section 8 Rental Voucher Program	14.871	\$	3,633,243
FSS Housing	14.871		55,096
Emergency Housing Vouchers	14.871		166,178
Mainstream Voucher Program	14.879		56,137
Total Housing Voucher Cluster/Total U. S. Department of Housing and Urban Development		\$	<u>3,910,654</u>
U.S. Department of Labor			
Senior Community Service Employment-SSAI	17.235	\$	785,467
Pass through Tennessee Department of Labor and Workforce Development			
Unemployment Insurance	17.225		23,704
Senior Community Service Employment-State	17.235		107,961
Workforce Investment Act National Dislocated Worker Formula	17.277		758,334
Workforce Investment Act Apprenticeship	17.285		211,916
WIOA Cluster			
Workforce Investment Act Adult Program	17.258		2,511,168
Workforce Investment Act Youth Activities	17.259		2,415,277
Workforce Investment Act Dislocated Worker Formula	17.278		2,177,600
Total WIOA Cluster			<u>7,104,045</u>
Total U.S. Department of Labor		\$	<u>8,991,427</u>
U.S. Department of Transportation			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507	\$	704,086
Federal Transit Formula Grants CARES	20.507		252,816
Bus and Bus Facilities Formula & Discretionally Program	20.526		2,140,074
Total Federal Transit Cluster			3,096,976
Passed through Tennessee Department of Transportation			
Formula Grants for Other Than Urbanized Areas	20.509		6,224,261
Transit Services Programs Cluster			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513		77,153
Total U.S. Department of Transportation		\$	<u>9,398,390</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Expenditures of Federal Awards and State Grants (Continued)

Federal/Pass-through Agency Program Title	CFDA Number	
U.S. Department of Energy		
Passed through Tennessee Housing Development Agency		
Weatherization Assistance for Low-income Persons	81.042	\$ 356,301
Low Income Heating and Energy Assistance Program	93.568	3,926,338
Low Income Heating and Energy Assistance Program CARES	93.568	124,833
Total U.S. Department of Energy		<u>\$ 4,407,472</u>
Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	\$ 3,461
Total Department of Homeland Security		<u>\$ 3,461</u>
U.S. Department of Health and Human Services		
Passed through Tennessee Commission on Aging		
Aging Cluster		
Special Programs for the Aging, Title III, Part B	93.044	\$ 704,727
Special Programs for the Aging, Title III, Part C	93.045	2,872,329
Special Programs for the Aging, Title III, Part C COVID19	93.045	1,167,166
Special Programs for the Aging, Title III, Part C CARES	93.045	643,886
Nutritional Services Incentive Program	93.053	344,700
Total Aging Cluster		<u>5,732,808</u>
Special Programs for the Aging, Title VII, Chapter 3	93.041	20,219
Special Programs for the Aging, Title VII, Chapter 2	93.042	140,584
Special Programs for the Aging, Title III, Part D	93.043	128,501
Special Programs for the Aging, Title IV	93.048	41,472
Special Programs for the Aging, Title IV COVID	93.048	154,743
National Caregiver Support, Title III, Part E	93.052	826,716
Crime Victim Assistance	16.575	234,574
Passed through Tennessee Department of Human Services		
477 Cluster		
Temporary Assistance for Needy Families (TANF)	93.558	127,928
Community Services Block Grant	93.569	410,509
Community Services Block Grant COVID	93.569	233,044
Total 477 Cluster		<u>771,481</u>
Social Services Block Grant	93.667	430,210
Elder Abuse Prevention Interventions Program	93.747	23,835
Total U.S. Department of Health and Human Services		<u>\$ 8,505,143</u>
Centers for Medicare and Medicaid Services		
Passed through Tennessee Commission on Aging		
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	\$ 145,834
PPACA/MIPPA	93.071	97,276
Passed through TennCare		
Medicaid Assistance Program	93.778	1,027,634
Total Centers for Medicare and Medicaid Services		<u>\$ 1,270,744</u>
Total Federal		<u>\$ 40,641,099</u>

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Expenditures of Federal Awards and State Grants (Continued)

Federal/Pass-through Agency Program Title	CFDA Number	
State and Local Grants		
Aging Services -- III-E Match	N/A	\$ 80,700
Senior Centers	N/A	160,193
State Nutrition	N/A	89,931
State Homemaker	N/A	47,643
State Guardianship	N/A	231,100
State Aging - Options	N/A	1,825,200
ARP	N/A	327,556
SMP	N/A	7,758
AJC - DOL	N/A	302,153
AJC - TAA	N/A	2,827
AJC - SNAP	N/A	22,854
AJC - RESEA	N/A	33,913
Re-entry Program	N/A	7,138
AJC - VR	N/A	42,517
Direct Appropriation	N/A	170,940
AJC - TDVA	N/A	15,553
Child Protective Services Contracts	N/A	1,544
Community Corrections	N/A	1,325,258
Community Early Intervention	N/A	145,351
FY21 Critical Trips Urban Operating Funds	N/A	336,244
FY22 Critical Trips Urban Operating Funds	N/A	356,661
FY21 Critical Trips Urban Operating Funds	N/A	176,624
FY22 Urban Operating Assistance Program	N/A	264,347
BOPP	N/A	106,748
TEIS	N/A	1,235
Total State and Local		<u>\$ 6,081,988</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of ETHRA under programs of the federal government for the year ended June 30, 2022. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of ETHRA they are not intended to and do not present the financial position, change in net position, or cash flows of ETHRA

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. ETHRA uses an 19.5% indirect cost rate approved by the Department of Health and Human Services.



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule
 June 30, 2022

HUD A/C#		HUD HCV
	Assets	
111	Cash - unrestricted	\$ 280,991
113	Cash - other restricted	<u>69,015</u>
100	Total Cash	<u>350,006</u>
125	Accounts receivable	<u>-</u>
120	Total receivables, net of allowance for doubtful accounts	<u>-</u>
150	Total current assets	<u>350,006</u>
164	Furniture, equipment, & machinery - administration	115,758
166	Accumulated depreciation	<u>(87,633)</u>
160	Total capital assets, net of accumulated depreciation	<u>28,125</u>
180	Total non-current assets	<u>28,125</u>
290	Total assets	<u><u>\$ 378,131</u></u>
	Liabilities	
312	Account payable less than 90 days	\$ <u>14,935</u>
310	Total current liabilities	<u>14,935</u>
353	Non-current liabilities - other	<u>49,223</u>
350	Total non-current liabilities	<u>49,223</u>
300	Total liabilities	<u>64,158</u>
	Net Position	
508.4	Net investment in capital assets	28,125
511.4	Restricted net position	13,673
512.4	Unrestricted net position	<u>272,175</u>
513	Total equity - net assets/position	<u>313,973</u>
600	Total liabilities and equity - net assets/position	<u><u>\$ 378,131</u></u>
Line 113 Details		
113-020	FSS escrow deposits	\$ 49,223
113-030	All other funds	<u>19,792</u>
		<u><u>\$ 69,015</u></u>

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Revenues	
70600	HUD PHA operating grants	\$ 3,910,654
71400	Fraud recovery	2,388
71500	Other revenue	<u>22,818</u>
70000	Total operating revenues	<u>3,935,860</u>
	Expenses	
	Administrative	
91100	Administrative salaries	191,625
91200	Auditing fees	3,831
91400	Advertising and marketing	229
91500	Employee benefit contributions - administrative	59,089
91600	Office expenses	56,186
91800	Travel	6,903
91810	Allocated overhead	58,097
91900	Other general expenses	<u>419</u>
91000	Total operating - administrative	<u>376,379</u>
	Tenant	
92100	Tenant services - salaries	39,139
92300	Employee benefit contributions - tenant services	12,528
92400	Tenant services - other	<u>171</u>
92500	Total tenant services	<u>51,838</u>
	Insurance premiums	
96120	Liability insurance	<u>8,694</u>
96100	Total insurance premiums	<u>8,694</u>
96900	Total operating expenses	<u>436,911</u>
97000	Excess of operating revenue over operating expenses	<u>3,498,949</u>
97300	Housing assistance payments	3,528,326
97350	HAP portability-in	13,580
97400	Depreciation expense	<u>14,460</u>
90000	Total expenses	<u>3,993,277</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (57,417)</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

HUD A/C#		HUD HCV
	Memo account information	
11030	Beginning equity	\$ 370,564
11170	Administrative fee equity	301,391
11180	Housing assistance payments equity	4,637
11190	Unit months available	9,408
11210	Number of unit months leased	6,761
	Line item 70600 details	
70600-010	Housing assistance payments	3,430,138
70600-020	Ongoing administrative fees earned	425,420
70600-031	FSS coordinator grant	55,096
	Total	\$ 3,910,654
	Line item 71400 details	
71400-010	Housing assistance payment	\$ 1,194
71400-020	Administrative fee	1,194
	Total	\$ 2,388
	Line item 97300 details	
97300-020	Home-ownership	\$ 109,112
97300-040	Tenant protection	9,615
97300-041	Portability-out	13,059
97300-045	FSS escrow deposits	46,595
97300-050	All other	3,349,945
	Total	\$ 3,528,326
	Line item 11170 details	
11170-001	Administrative fee equity - beginning balance	\$ 273,712
11170-010	Administrative fee revenue	395,053
11170-021	FSS coordinator	55,096
11170-045	Fraud recovery revenue	1,194
11170-050	Other revenue	18,039
11170-060	Total admin fee revenues	743,094
11170-080	Total operating expenses	436,911
11170-090	Depreciation	14,460
11170-095	Housing assistance payment portability in	13,580
11170-110	Total expenses	464,951
11170-002	Net administrative fee	278,143
11170-003	Administrative fee equity - ending balance	\$ 551,855
11170-006	Post - 2003 administrative fee reserves	\$ 551,855

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule (Continued)

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Line item 11180 details:	
11180-001	Housing assistance payments equity - beginning balance	\$ 205,748
11180-010	Housing assistance payments revenue	3,430,138
11180-015	Fraud recovery revenue	1,194
11180-020	Other revenue	<u>18,039</u>
11180-021	Comments for other revenue - forfeitures	
11180-030	Total housing assistance payments revenue	<u>3,655,119</u>
11180-080	Housing assistance payments	<u>3,528,326</u>
11180-091	Comments for other expenses - prior period expense correction	
11180-100	Total housing assistance payments expenses	<u>3,528,326</u>
11180-002	Net housing assistance payments	<u>126,793</u>
11180-003	Housing assistance payments equity - ending balance	<u>\$ 332,541</u>
	Line item 11190 details:	
11190-210	Total ACC HCV Units	<u>9,408</u>



COMPLIANCE REPORTS



EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2022

I. Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal Control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X No

Type of auditors report issued on compliance for major federal programs: Unmodified opinion

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.044	Special Programs for Aging Title III Part B
93.045	Special Programs for Aging Title III Part C
93.053	Nutrition Services Incentive Program
17.258	Workforce Investment Act Adult Program
17.259	Workforce Investment Act Youth Program
17.278	Workforce Investment Act Dislocated worker
20.507	Federal Transit Formula Grants
20.526	Buses and Bus Facilities Formula
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$1,220,487

- Auditee qualified as low -risk auditee? _____ Yes X No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None Reported.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2021

Findings - Financial Statements Audit

There were no prior findings reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

Reference number: 2021-001 Reimbursement Request Calculations

Condition: During the audit process, it was noted that claims for meal reimbursements were not properly reconciled to the related summary of attendance, and therefore, the claim form reimbursement requests tested were overstated.

Current Status: Resolved



Independent Auditors' 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
East Tennessee Human Resource Agency, Inc.

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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated December 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ETHRA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control. Accordingly, we do not express an opinion on the effectiveness of ETHRA'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ETHRA'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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Knoxville, Tennessee
December 27, 2022



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
East Tennessee Human Resource Agency, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc. ("ETHRA") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2022. ETHRA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ETHRA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ETHRA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the ETHRA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ETHRA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ETHRA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding ETHRA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ETHRA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rodger Moss & Co, PLLC

Knoxville, Tennessee
December 27, 2022