

UPPER EAST TENNESSEE HUMAN
DEVELOPMENT AGENCY, INC.

Financial Statements and Additional Information

Year Ended June 30, 2014

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Financial Statements and Additional Information
Year Ended June 30, 2014

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Independent Auditors' Report

To the Board of Directors
Upper East Tennessee Human Development Agency, Inc.
Kingsport, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major governmental funds of Upper East Tennessee Human Development Agency, Inc. "UETHDA", as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major governmental funds of UETHDA, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 and schedule of retirement plan funding progress (unaudited) on page 26 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UETHDA's basic financial statements. The schedule of program activity is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of program activity and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of program activity 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of UETHDA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UETHDA's internal control over financial reporting and compliance.

Rodolfo Moss & Co, PLLC

Kingsport, Tennessee
November 18, 2014

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis
Year Ended June 30, 2014

Financial Highlights

UETHDA's expenditures this fiscal year were \$14,708,595 compared to \$15,169,007 for the period July 1, 2012 through June 30, 2013. There was an increase of \$339,944 in the Weatherization Assistance for Low-Income Persons Program and a decrease of \$597,807 in the Low-Income Home Energy Assistance Program during the year ended June 30, 2014, combined with decreases in several other smaller programs administered by UETHDA, resulting in the overall decrease in expenditures of \$460,412.

Additionally:

- UETHDA's overall financial position, as reflected in total net position, decreased by \$11,293. Apart from grant-funded property and equipment, financial position decreased by \$26,207.
- In governmental funds, the total fund balance decreased by \$44,588.

Overview of the Financial Statements

The basic financial statements are comprised of (1) UETHDA's government-wide financial statements; (2) fund financial statements that comply with reporting to the Federal Government and other funding sources; and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

UETHDA's Government-Wide Financial Statements

- UETHDA's government-wide financial statements are the statement of net position and the statement of activities. These statements present an aggregate view of UETHDA's finances in a manner similar to private-sector business. Both statements distinguish governmental activities from other types of activities.
- The statement of net position presents information on all of UETHDA's assets and liabilities, with the difference between the two being reported as net position.
- The statement of activities presents information showing how UETHDA's net position changed during the year.
- UETHDA's government-wide financial statements are shown on pages 10 and 11 of this report.
- UETHDA has also presented fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. UETHDA, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. Fund financial statements generally report operations in more detail than UETHDA's government-wide statements.
- There are two fund financial statements: the balance sheet and the statement of revenue, expenditures, and changes in fund balances.

Fund Financial Statements

- UETHDA has only one kind of fund. The governmental fund includes the following: the general fund and the special revenue fund. The special revenue fund accounts for all federal, state, grant-funded programs, and local contributions designated for specific purposes.
- Financial information is presented separately on both the balance sheet and the statement of revenue, expenditures, and changes in fund balances for the general and special revenue funds as these are considered to be the major funds. Data for funds is combined into a single aggregated column. Data for each federal, state, and local program within the special revenue fund is provided separately as additional information on pages 27 through 32 of this report. The governmental fund financial statements are on pages 12 and 14 of this report.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The major features of UETHDA's financial statements, including the portion of the activities reported and the type of information contained, is shown in the table below.

	UETHDA's Government-Wide Statements	Governmental Funds Statements
Scope	Entire UETHDA.	The programmatic and operating activities of UETHDA, such as child education and weatherization/ energy assistance.
Required Financial Statements	Statement of net position and statement of activities.	Balance sheet and statement of revenue, expenditures, and changes in fund balance.
Basis of Accounting and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting. Current financial resources focus.
Type of Asset and Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally includes assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of Inflow and Outflow of Information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in UETHDA's government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 16 of this report.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Financial Analysis

UETHDA as a Whole

Net Position

Table 1 below provides a summary of UETHDA's net position as of June 30, 2014 and 2013.

Table 1
Condensed Statement of Net Position

	<u>Government-wide</u>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,079,531	\$ 2,025,524
Capital assets	<u>906,851</u>	<u>891,937</u>
Total assets	<u>\$ 2,986,382</u>	<u>\$ 2,917,461</u>
Current liabilities	\$ 580,272	\$ 481,677
Long-term liabilities	<u>247,247</u>	<u>265,628</u>
Total liabilities	<u>\$ 827,519</u>	<u>\$ 747,305</u>
Net investment in capital assets	\$ 906,851	\$ 891,937
Temporarily restricted to grant purpose	193,106	220,294
Unrestricted	<u>1,058,906</u>	<u>1,057,925</u>
Total net position	<u>\$ 2,158,863</u>	<u>\$ 2,170,156</u>

In governmental activities, total assets increased by \$68,921, primarily due to increases in receivables and capital assets. Total liabilities increased by \$80,214, primarily due to an increase in accounts payable. The change in net position is a decrease of \$11,293.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Financial Analysis (Continued)

Change in Net Position

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2014 and 2013.

Table 2
Change in Net Position

	<u>2014</u>	<u>Percentage of Funding</u>	<u>2013</u>	<u>Percentage of Funding</u>
Revenue:				
Operating grants and contributions	\$ 14,440,317	98.47%	\$ 15,073,893	99.40%
Capital grants and contributions	205,238	1.40%	67,601	0.45%
Interest and investment earnings	5,704	0.04%	8,412	0.06%
Other	<u>12,748</u>	<u>0.09%</u>	<u>13,227</u>	<u>0.09%</u>
Total revenue	<u>14,664,007</u>	<u>100.00%</u>	<u>15,163,133</u>	<u>100.00%</u>
Expenditures:				
Child education	7,701,697	52.49%	7,929,765	51.85%
Community services programs	1,547,371	10.54%	1,461,605	9.56%
Emergency shelter programs	130,429	0.89%	170,075	1.11%
Nutrition programs	299,548	2.04%	474,008	3.10%
Senior programs	69,070	0.47%	69,337	0.45%
Weatherization/energy assistance	4,922,665	33.54%	5,180,528	33.87%
Corporate activities	<u>4,520</u>	<u>0.03%</u>	<u>8,617</u>	<u>0.06%</u>
Total expenditures	<u>14,675,300</u>	<u>100.00%</u>	<u>15,293,935</u>	<u>100.00%</u>
Change in net position	<u>\$ (11,293)</u>		<u>\$ (130,802)</u>	

As shown, program revenue in the form of grants and contributions provide over 98% of the funds for governmental activities, which are expended primarily on child education and weatherization/energy assistance.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Financial Analysis (Continued)

Governmental Activities

Net Cost of Governmental Activities

Table 3 reports the cost of seven major UETHDA activities. The table also shows each activity's net cost (total cost less grants and contribution revenue provided for specific programs). Net revenue in child education was used to acquire grant-funded equipment which has been capitalized in the statement of net position.

Table 3
Net Cost of Governmental Activities

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Child education	\$ 7,701,697	\$ 22,174	\$ 7,929,765	\$ (155,602)
Community services programs	1,547,371	(44,972)	1,461,605	13,921
Emergency shelter programs	130,429	-	170,075	-
Nutrition programs	299,548	(1,028)	474,008	(1,029)
Senior programs	69,070	(1,399)	69,337	(1,121)
Weatherization/energy assistance	4,922,665	-	5,180,528	-
Corporate activities	<u>4,520</u>	<u>(4,520)</u>	<u>8,617</u>	<u>(8,610)</u>
Totals	<u>\$ 14,675,300</u>	<u>\$ (29,745)</u>	<u>\$ 15,293,935</u>	<u>\$ (152,441)</u>

Governmental Funds

UETHDA completed the year with a total governmental fund balance of \$1,423,391 of which \$1,058,906 is general fund balance and \$364,485 is special revenue fund balance. This represents an increase of \$981 in general fund balance from \$1,057,925 as of June 30, 2013 and a decrease of \$45,569 in special revenue fund balance from \$410,054 as of June 30, 2013.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2014 fiscal year, UETHDA had invested a cumulative amount of \$3,783,540 in a broad range of capital assets, including buildings, capital improvements, vehicles, furniture, and equipment (see Table 4). This amount represents a net increase of \$205,238. Additional information about capital assets can be found in Note 6, page 21. Total accumulated depreciation on these assets was \$2,876,689.

- UETHDA recognized depreciation expense of \$190,324 for governmental activities (see page 15).

Table 4
Capital Assets

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Land	\$ 21,000	\$ 21,000	0.00%
Buildings and capital improvements	966,306	966,306	0.00%
Furniture and equipment	850,304	698,716	21.70%
Vehicles	1,945,930	1,892,280	2.84%
Accumulated depreciation	<u>(2,876,689)</u>	<u>(2,686,365)</u>	7.08%
Totals	<u>\$ 906,851</u>	<u>\$ 891,937</u>	

Factors Bearing on UETHDA's Future

There are no known factors which would impact UETHDA's future.

In-Kind

Two of UETHDA's programs (Head Start; Retired Senior Volunteer Program) require a proportional match of in-kind (nonfederal share). In-kind is property or services that benefit a grant supported project or program and are contributed by nonfederal third parties without charge to the grantee. Head Start requires a 25% match of the total federal grant award; Retired Senior Volunteer Program requires a 51.20% match of the total federal grant award.

Cost Allocation

UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Tennessee Department of Human Services the "state cognizant agency" for UETHDA. The Department of Health and Human Services the "federal cognizant agency" for UETHDA approved an indirect cost final rate of 4.91% for the year ended June 30, 2013. A rate of 5.30% will apply to subsequent periods as a provisional rate until amended.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Management's Discussion and Analysis (Continued)

Financial Analysis (Continued)

Commodities

Commodities distributed represent the value of food commodities received from the State of Tennessee, Department of Agriculture and distributed to low income households. The value of commodities (including inventory) is based on valuations provided by the State of Tennessee, Department of Agriculture. Commodity inventory is charged to expense in the period when the commodities are distributed. Those commodities received during the year that had not been distributed are recognized as an asset with a corresponding balance in grant funds received in advance.

Total Revenue

Direct federal grants and federal "flow through" grants with the State of Tennessee account for approximately 99% of UETHDA's total funding. The most significant source of UETHDA's grant revenue, approximately 53% was provided under Head Start and approximately 32% was provided under Low-Income Home Energy Assistance Program. Both of these programs are funded by the U.S. Department of Health and Human Services.

Contacting UETHDA's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of UETHDA's finances and to demonstrate UETHDA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Timothy Jaynes, Executive Director, Upper East Tennessee Human Development Agency, P.O. Box 46, Kingsport, TN 37662.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Statement of Net Position

June 30, 2014

ASSETS

Current Assets

Cash	\$ 338,730
Restricted cash	138,667
Receivables	
Due from grantor agencies	1,117,499
Other accounts receivable	4,948
Investments	351,854
Prepaid expenses	33,183
Inventory - commodity food	<u>94,650</u>
Total current assets	<u>2,079,531</u>

Capital Assets

Land and building and capital improvements	987,306
Furniture and equipment	850,304
Vehicles	<u>1,945,930</u>
	3,783,540
Less accumulated depreciation	<u>2,876,689</u>
Net capital assets	<u>906,851</u>
Total assets	<u>\$ 2,986,382</u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 213,176
Accrued payroll and related expenses	203,116
Grant funds received in advance	<u>163,980</u>
Total current liabilities	<u>580,272</u>

Long-Term Liabilities

Accrued annual leave	171,379
Advance payable	<u>75,868</u>
Total long-term liabilities	<u>247,247</u>
Total liabilities	<u>827,519</u>

Net Position

Net investment in capital assets	906,851
Temporarily restricted to grant purpose	193,106
Unrestricted	<u>1,058,906</u>
Total net position	<u>2,158,863</u>
Total liabilities and net position	<u>\$ 2,986,382</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities					
Program activities:					
General government	\$ 582,923	\$ (582,923)	\$ -	\$ -	\$ -
Child education	7,421,163	280,534	7,518,633	205,238	22,174
Community services programs	1,491,079	56,292	1,502,399	-	(44,972)
Emergency shelter programs	125,770	4,659	130,429	-	-
Nutrition programs	286,302	13,246	298,520	-	(1,028)
Senior programs	66,453	2,617	67,671	-	(1,399)
Weatherization/energy assistance	4,697,090	225,575	4,922,665	-	-
Total program activities	<u>14,670,780</u>	<u>-</u>	<u>14,440,317</u>	<u>205,238</u>	<u>(25,225)</u>
Support services:					
General government	1,603	(1,603)	-	-	-
Corporate activities	<u>2,917</u>	<u>1,603</u>	<u>-</u>	<u>-</u>	<u>(4,520)</u>
Total support services	<u>4,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,520)</u>
Total organization	<u>\$ 14,675,300</u>	<u>\$ -</u>	<u>\$ 14,440,317</u>	<u>\$ 205,238</u>	<u>(29,745)</u>
General revenue:					
Miscellaneous					12,748
Interest and investment earnings					<u>5,704</u>
Total general revenue					<u>18,452</u>
Change in net position					
Net position, beginning of year					<u>2,170,156</u>
Net position, end of year					<u>\$ 2,158,863</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.

Balance Sheet - Governmental Funds

June 30, 2014

	General	Special Revenue	Totals
ASSETS			
Cash	\$ 683,973	\$ (345,243)	\$ 338,730
Restricted cash	-	138,667	138,667
Receivables:			
Due from grantor agencies	-	1,117,499	1,117,499
Other accounts receivable	-	4,948	4,948
Investments	351,854	-	351,854
Prepaid expenses	23,145	10,038	33,183
Inventory - commodity food	-	94,650	94,650
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,058,972</u>	<u>\$ 1,020,559</u>	<u>\$ 2,079,531</u>
LIABILITIES			
Accounts payable	\$ 66	\$ 213,110	\$ 213,176
Accrued payroll and related expenses	-	203,116	203,116
Grant funds received in advance	-	163,980	163,980
Advance payable	-	75,868	75,868
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>66</u>	<u>656,074</u>	<u>656,140</u>
FUND BALANCES			
Nonspendable			
Inventory	-	94,650	94,650
Prepaid expenses	23,145	10,038	33,183
Restricted	-	259,797	259,797
Unassigned	1,035,761	-	1,035,761
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,058,906</u>	<u>364,485</u>	<u>1,423,391</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,058,972</u>	<u>\$ 1,020,559</u>	<u>\$ 2,079,531</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position
 June 30, 2014

Total fund balance - governmental funds	\$	1,423,391
<p>Total net position reported to governmental activities in the statement of net position are different from the amount reported above as total governmental funds balance because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:</p>		
Governmental capital assets	\$	3,783,540
Less governmental accumulated depreciation		<u>2,876,689</u>
Net capital assets		906,851
<p>Unpaid vacation and personal leave is a liability of the governmental funds only if the employee has resigned or retired. Amounts reported for governmental activities in the statement of net position are:</p>		
Accrued vacation and personal leave		<u>(171,379)</u>
Total net position - governmental activities	\$	<u><u>2,158,863</u></u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Total
Revenue			
Grants	\$ -	\$ 14,243,724	\$ 14,243,724
Local contributions	-	123,113	123,113
Other	-	12,748	12,748
Interest income	5,501	203	5,704
Commodities	-	278,718	278,718
	<u>5,501</u>	<u>14,658,506</u>	<u>14,664,007</u>
Expenditures			
Salaries	-	3,821,702	3,821,702
Fringe benefits	-	1,600,652	1,600,652
Travel	-	166,817	166,817
Communications	26	163,508	163,534
Utilities	5	38,977	38,982
Office supplies	160	80,451	80,611
Program supplies	1,658	723,784	725,442
Maintenance and repairs	-	393,745	393,745
Rental buildings	-	154,785	154,785
Contractual	29	301,129	301,158
Delegate agencies	-	1,363,060	1,363,060
Equipment rent	-	20,010	20,010
Equipment (sensitive minor)	-	73,084	73,084
Equipment and capital improvements	-	205,238	205,238
Insurance	366	61,142	61,508
Advertising	-	12,545	12,545
Direct client assistance	223	4,546,993	4,547,216
Audit fee	-	42,250	42,250
Other	450	33,638	34,088
Training	-	38,924	38,924
Indirect costs	1,603	582,923	584,526
Commodities distributed	-	278,718	278,718
	<u>4,520</u>	<u>14,704,075</u>	<u>14,708,595</u>
Excess (deficiency) of revenue over expenditures	981	(45,569)	(44,588)
Fund balances, beginning of year	<u>1,057,925</u>	<u>410,054</u>	<u>1,467,979</u>
Fund balances, end of year	<u>\$ 1,058,906</u>	<u>\$ 364,485</u>	<u>\$ 1,423,391</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$	(44,588)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>The acquisition of capital assets is reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>		
Capital outlay reported in governmental fund statements	\$	205,238
Depreciation expense reported in the statement of activities		<u>(190,324)</u>
Amount by which capital acquisitions are greater than depreciation in the current period		14,914
<p>Vested accrued vacation and personal leave are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.</p>		
Accrued vacation and personal leave earned		(173,499)
Accrued vacation and personal leave paid		<u>191,880</u>
Net accrued vacation and personal leave (earned)		<u>18,381</u>
Change in net position - statement of activities	\$	<u><u>(11,293)</u></u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to Financial Statements
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Upper East Tennessee Human Development Agency, Inc. "UETHDA" was organized as a nonprofit organization in 1973 and incorporated in 1978. UETHDA was formed to develop and provide resources for the purpose of assisting low income individuals in eight counties of upper east Tennessee through a variety of programs. UETHDA's employer identification number is 62-0902005.

Significant Policies - The financial statements of UETHDA have been prepared in conformity with generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board "GASB" is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by UETHDA are described below.

UETHDA is incorporated as a private nonprofit organization; however, based on correspondence from the State of Tennessee, Department of Audit, Division of Municipal Audit, UETHDA will be under the jurisdiction of GASB rather than FASB. Therefore, this organization must follow the same guidelines as other governmental units.

BASIS OF PRESENTATION

Government-Wide Statements - The statement of net position and the statement of activities present financial information about UETHDA's organizational activities. These statements include the financial activities of the organization in its entirety. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally consist of programs funded by grants from federal, state, and local governments.

The statement of activities presents a comparison between direct expenses and program revenue for each function of UETHDA's organizational activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients for goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including interest income, is presented as general revenue.

Fund Financial Statements - The fund statements provide information about UETHDA's funds. A separate statement for government fund types is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

UETHDA reports the following major governmental funds:

General Fund - This is UETHDA's primary operating fund. It accounts for all financial activity that is not required to be accounted for in the special revenue fund. All general receipts that are not allocated by law or contractual agreement to a special revenue fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

Special Revenue Fund - This fund accounts for activities associated with providing Head Start, weatherization, and other social service programs. Sources include grants received primarily from federal, state, and local governments. Excess expenditures of the fund are financed with a transfer from the general fund.

There are no nonmajor governmental funds.

UETHDA's board of directors is the body that would approve any fund balance commitments. However, UETHDA does not have, and does not expect to have, any commitments of fund balance. Also, UETHDA does not have, nor does it expect to have, any assigned fund balance. UETHDA's restricted fund balance consists of the fund balance remaining in its special revenue fund's fund balance after taking into account nonspendable fund balances in the special revenue fund. UETHDA considers restricted amounts to be spent when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which UETHDA gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Interest earnings on temporary investments are recognized in the fiscal period earned.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, UETHDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Grant funds received in advance are reported on the balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grant funds received in advance also arises when resources are received by UETHDA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria are met, or when UETHDA has a legal claim to the resources, the liability on the balance sheet is removed and revenue is recognized.

Fund Balances - UETHDA's fund balances consist of the following categories:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Nonspendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

Restricted fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts. UETHDA has no committed fund balances.

Assigned fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated. UETHDA has no assigned fund balances.

Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in UETHDA's financial statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and capital improvements	\$ 5,000	Straight-line	7-30
Furniture and equipment	\$ 5,000	Straight-line	3-15
Vehicles	\$ 5,000	Straight-line	5

Federal, State, and Local Agency Grant Funds - Program funds authorized under federal, state, and local agency grants are requisitioned from such agencies primarily for reimbursement of allowable costs incurred up to amounts contracted for under each grant. These funds are accounted for at the time allowable costs are incurred. The grant periods for individual grants do not necessarily coincide with the fiscal year of UETHDA. Since UETHDA receives funds either on an advance basis or on a cost-reimbursement basis, either a receivable (due from grantor agencies) or a liability (grant funds received in advance) may exist at UETHDA's balance sheet date. UETHDA's policy is to expend federal, state, and local agency grant funds which are restricted as to purpose before using unrestricted funds to pay for program expenses.

Inventories - Inventory consists of food commodities received but which have not yet been distributed to eligible households. The value of each commodity item in inventory is provided by the grantor, the State of Tennessee, Department of Agriculture. Commodity inventory is charged to expense in the period when the commodities are distributed. UETHDA uses the first in first out (FIFO) method in determining cost of inventory.

Investments - Investments are recorded at fair value.

Annual Leave - Annual leave is expensed during the period it is earned. UETHDA's policies allow employees to accrue leave time and carry it over into future program years. The liability for annual leave recognized in the balance sheet represents accrued annual leave for all UETHDA employees at June 30, 2014. Grant funds reimburse the special revenue fund as the leave is earned. UETHDA considers all accrued annual leave to be noncurrent.

Income Taxes - UETHDA is a private nonprofit corporation, incorporated under the Tennessee General Corporation Act. UETHDA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. UETHDA is also exempt from State of Tennessee income taxes. UETHDA evaluates its tax positions in accordance with applicable standards, has evaluated its tax positions, and believes that it has none that are uncertain. UETHDA's Form 990s for the current and three preceding years remain available for possible examination by the Internal Revenue Service.

Budgetary Accounting - UETHDA receives funds under various grants and contracts which end on various budget cycles. As a result, no formal organization-wide budget is available. Therefore, no budgetary comparison has been included in these financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Delegate Agencies - UETHDA delegates a portion of the Head Start program to two local school districts. Delegate expenditures totaling \$1,363,060 for the year ended June 30, 2014 have been included in the statement of revenue, expenditures, and changes in fund balances. In accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, these delegate agencies are required to submit an agency-wide audit report. Any modifications to UETHDA's financial records as a result of the delegate agency reports will be reported in the year when the adjustments become known.

Cost Allocation - UETHDA accumulates administrative costs in an indirect cost pool and allocates these costs to programs based on each program's total direct expenditures. Administrative costs are those costs incurred for the common benefit of all UETHDA programs that cannot be readily identified with a final cost objective. This plan has been approved by the Department of Health and Human Services. The approved provisional rate for the year ended June 30, 2014, was 5.30%.

Date of Management's Review - UETHDA's management has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2014 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 18, 2014, the date these financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, UETHDA's deposits may not be returned to it. UETHDA does not have a deposit policy for custodial credit risk.

UETHDA's bank deposits are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and, consequently, are fully insured.

Cash at June 30, 2014, consisted of the following:

	Bank Balance	Carrying Value
Cash with financial institutions	\$ 520,478	\$ 338,730
Bank account restricted to IDA	144,457	138,667
Total cash	\$ 664,935	\$ 477,397

Investments

Interest Rate Risk - UETHDA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - UETHDA does not have a formal investment policy that limits its choice of investments based on ratings issued by a nationally recognized statistical ratings organization as a means of limiting its risk that an issuer will not fulfill its obligations.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk - UETHDA places no limit on the amount it may invest in any one issuer. All of UETHDA's investments are in either a certificate of deposit or repurchase agreement issued by Citizens Bank.

UETHDA's investment balances at June 30, 2014, consisted of the following:

	Maturity	Fair Value
Citizens Bank - Certificate of Deposit	10/24/14	\$ 63,218
Citizens Bank - Repurchase Agreement	03/22/15	288,636
Total investments reported in statement of net position		\$ 351,854

NOTE 3 - RESTRICTED CASH

UETHDA received a grant award from the U.S. Department of Health and Human Services to provide eligible participants with assistance towards:

- Post-secondary education, or
- Homeownership

The assistance is provided in the form of IDA. The grant reimburses \$1 of grant funds for every \$1 of participant savings and \$1 of nonfederal cash match provided by UETHDA. The grant allows each participant to save up to \$2,000 and that amount will be matched with up to \$2,000 in grant funds as well as \$2,000 in UETHDA cash match.

Eligible participants enroll in the program and open an individual development bank account. As the participant deposits money into their individual bank account, matching funds are earmarked for that participant. UETHDA incurs expenses against the grant and the match funds and releases the funds when the participant pays for an eligible cost.

	IDA Grant #4
Restricted cash at July 1, 2013	\$ 195,421
Grant funds received in current year	161
Matching funds transferred/received in current year	-
Interest earned	161
IDA expenses incurred	(57,076)
Restricted cash at June 30, 2014	\$ 138,667

The restricted cash balance consists of unexpended grant awards and donations received as match. The unspent grant awards are recorded as grant funds received in advance and the unspent donations are recorded as temporarily restricted net position. The unspent balances are as follows:

	IDA Grant #4
Grant funds received in advance	\$ 69,330
Temporarily restricted net position	69,337
Totals	\$ 138,667

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

NOTE 4 - RECEIVABLE - DUE FROM GRANTOR AGENCIES

Receivables from grantor agencies at June 30, 2014, consisted of the following:

Federal		\$	225,317
State			<u>892,182</u>
Total			<u><u>\$ 1,117,499</u></u>

NOTE 5 - COMMODITIES

UETHDA receives commodity supplement food from the State of Tennessee, Department of Agriculture for distribution to low income households. Those commodities received during the year that had not been distributed are recognized as inventory with a corresponding balance in grant funds received in advance. The value of commodity inventory at June 30, 2014 was \$94,650.

NOTE 6 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, consisted of the following:

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Capital assets being depreciated:				
Buildings and capital improvements	966,306	-	-	966,306
Furniture and equipment	698,716	151,588	-	850,304
Vehicles	<u>1,892,280</u>	<u>53,650</u>	-	<u>1,945,930</u>
Total capital assets being depreciated	<u>3,557,302</u>	<u>205,238</u>	-	<u>3,762,540</u>
Less accumulated depreciation for:				
Buildings and capital improvements	376,213	51,170	-	427,383
Furniture and equipment	650,472	39,885	-	690,357
Vehicles	<u>1,659,680</u>	<u>99,269</u>	-	<u>1,758,949</u>
Total accumulated depreciation	<u>2,686,365</u>	<u>190,324</u>	-	<u>2,876,689</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>870,937</u>	<u>14,914</u>	-	<u>885,851</u>
Governmental activities capital assets, net of accumulated depreciation	<u><u>\$ 891,937</u></u>	<u><u>\$ 14,914</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 906,851</u></u>

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

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2014, was \$190,324. This total is broken out by program as follows: Child education \$176,087; Community services programs \$13,209; Nutrition programs \$1,028.

NOTE 7 - GRANT FUNDS RECEIVED IN ADVANCE

Grant funds received in advance consist of cash received from the grantors in advance of actual expenditures at the end of the fiscal year. Grant funds received in advance as of June 30, 2014, are as follows:

Individual Development Accounts	\$	69,330
Temporary Emergency Food Assistance Program		<u>94,650</u>
Totals		<u>\$ 163,980</u>

NOTE 8 - ADVANCE PAYABLE

The balance as of June 30, 2014, consists of cash received from the State of Tennessee as an advance on the Community Services Block Grant. The advance is available until the program ceases or is no longer funded by the State of Tennessee.

NOTE 9 - LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2014, consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Accrued annual leave	\$ 189,760	\$ 173,499	\$ (191,880)	\$ 171,379
Advance payable	<u>75,868</u>	<u>-</u>	<u>-</u>	<u>75,868</u>
Total governmental activities long-term liabilities	<u>\$ 265,628</u>	<u>\$ 173,499</u>	<u>\$ (191,880)</u>	<u>\$ 247,247</u>

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

NOTE 10 - NET POSITION TEMPORARILY RESTRICTED TO GRANT PURPOSE

Net position temporarily restricted to grant purpose consisted of the following:

Community Services Local	\$	21,267
Weatherizing Local		67,383
Housing Local		23,187
Individual Development Accounts (IDA)		69,337
Reading is Fundamental Donations		4,547
Senior Services Local		7,385
Total	\$	193,106

Community Services Local contributions are used to provide services to low income individuals in the community. Weatherizing Local contributions are used for the weatherization of homes in the Kingsport Power service area. Housing Local contributions support IDA and other projects in the community. The IDA fund balance represents unexpended donations for the IDA program (see Note 3). The Reading is Fundamental donations are to be used to purchase books for children. Senior Services Local uses contributions to support the RSVP program.

NOTE 11 - RETIREMENT PLAN

Plan Description - Employees of UETHDA are members of the Political Subdivision Pension Plan “PSPP”, an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System “TCRS”. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member’s highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as UETHDA participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy - UETHDA requires employees to contribute 5% of earned compensation. UETHDA is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 7.94% of the annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for UETHDA is established and may be amended by the TCRS Board of Trustees.

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

NOTE 11 - RETIREMENT PLAN (Continued)

Annual Pension Cost - For the year ending June 30, 2014, UETHDA's annual pension cost of \$303,861 to TCRS was equal to UETHDA's required and actual contribution. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. UETHDA's unfunded actuarial accrued liability is being amortized at a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost APC	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 303,861	100%	\$ -
June 30, 2013	\$ 302,928	100%	\$ -
June 30, 2012	\$ 338,229	100%	\$ -

Funded Status and Funding Progress - As of July 1, 2013, the most recent actuarial valuation date, the plan was 99.89% funded. The actuarial accrued liability for benefits was \$9.68 million, and the actuarial value of assets was \$9.67 million, resulting in an unfunded actuarial accrued liability "UAAL" of \$.01million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.64 million, and the ratio of the UAAL to the covered payroll was 0.30%.

The schedules of funding progress, presented as required supplementary information following the notes to financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (A)	Actuarial Liability (AAL)-Entry Age (B)	Unfunded AAL (UAAL) (B) - (A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2013	\$ 9,669	\$ 9,680	\$ 11	99.89%	\$ 3,643	0.30%

NOTE 12 - CONCENTRATIONS

Approximately 99% of UETHDA's revenues consist of direct federal grants and being a subrecipient of federal grants administered by the State of Tennessee. Approximately 53% of revenues were Head Start monies received under a grant from the U.S. Department of Health and Human Services. The other 46% consists of monies received for UETHDA's other programs in their position of being a subrecipient of federal grants administered by the State of Tennessee.

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

NOTE 13 - IN-KIND REVENUES

UETHDA is required to obtain local support of the total cost of the Head Start and Retired Senior Volunteer programs in the form of in-kind contributions. This can be in the form of rent-free use of space in school classrooms, manpower provided by parents of Head Start children, and other forms of non-cash contributions. The amount of in-kind revenue is also recognized as expense so that the effect on the UETHDA's operations is zero. In-kind revenue and expenses are not included in the basic financial statements. Program expenditures in Schedule A include in-kind revenues and expenses. The final page of Schedule A is a reconciliation of total revenues and expenses, which include in-kind, to the amounts reported in the statement of revenues, expenditures, and changes in fund balances.

NOTE 14 - OPERATING LEASE AGREEMENTS

UETHDA leases various facilities for operation of its programs. Rentals paid for real estate for the year ended June 30, 2014 totaled \$102,782. All of UETHDA's real estate and equipment leases are cancelable with thirty days notice in the event that UETHDA loses federal funding for any program which utilizes leased property.

NOTE 15 - RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

UPPER EAST HUMAN DEVELOPMENT AGENCY, INC.
 Schedule of Retirement Plan Funding Progress (Unaudited)
 June 30, 2014

Schedule of Funding Progress for UETHDA, PSSP #89600

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Annual Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2013	\$ 9,669	\$ 9,680	\$ 11	99.89%	\$ 3,643	0.30%
July 1, 2011	\$ 8,231	\$ 8,557	\$ 326	96.20%	\$ 4,510	7.21%
July 1, 2009	\$ 5,980	\$ 6,084	\$ 104	98.30%	\$ 4,185	2.48%

Additional Information

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity
Year Ended June 30, 2014

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/13 Receivable (Grant Funds Received in Advance)	2013/2014 Receipts	2013/2014 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/14 Grant Funds Received in Advance	06/30/14 Receivable
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE												
Department of Agriculture												
10.569	N/A	The Emerg. Food Assist. Prog. (Noncash assistance)	Tennessee Department of Agriculture	07/01/13-06/30/14	N/A	\$ (157,214)	\$ 216,154	\$ -	\$ 278,718	\$ -	\$ 94,650	\$ -
10.558	13-03-47-55965-00-9	Child and Adult Care Food Program (CCFP)	Tennessee Department of Human Services	10/01/12-09/30/13	N/A	1,214	44,222	-	43,008	-	-	-
10.558	14-03-47-55965-00-9	Child and Adult Care Food Program (CCFP)	Tennessee Department of Human Services	10/01/13-09/30/14	N/A	-	254,183	-	255,512	-	-	1,329
		Subtotal 10.558				1,214	298,405	-	298,520	-	-	1,329
10.568	28307	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/12-09/30/13	96,321	28,778	43,081	-	14,303	-	-	-
10.568	35752	Emergency Food Assistance Program	Tennessee Department of Agriculture	10/01/13-09/30/14	96,000	-	57,182	-	74,687	-	-	17,505
		Subtotal 10.568				28,778	100,263	-	88,990	-	-	17,505
81.042	WAP-12-14	Weatherization Assistance for Low-Income Persons	Tennessee Housing Development Agency	12/01/12-06/30/14	366,086	21	196,330	-	340,036	-	-	143,727
		Subtotal 81.042				21	196,330	-	340,036	-	-	143,727
Department of Health and Human Services												
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	01/01/13-12/31/13	N/A	-	31,465	4,010	35,475	-	-	-
93.558	N/A	Temporary Assistance for Needy Families (Child Care Certificate)	Tennessee Department of Human Services	01/01/14-12/31/14	N/A	-	30,312	2,948	33,260	-	-	-
		Subtotal 93.558				-	61,777	6,958	68,735	-	-	-
93.568	GG-13-39390	Low-Income Home Energy Assistance Program	Tennessee Department of Human Services	07/01/12-06/30/13	5,301,148	136,686	136,686	-	-	-	-	-
93.568	Z-14-49219	Low-Income Home Energy Assistance Program	Tennessee Department of Human Services	07/01/13-09/30/13	1,056,000	-	571,332	-	571,332	-	-	-
93.568	LIHEAP-14-19	Low-Income Home Energy Assistance Program	Tennessee Housing Development Agency	09/30/13-09/29/14	5,049,705	-	3,441,326	-	4,011,297	-	-	569,971
		Subtotal 93.568				136,686	4,149,344	-	4,582,629	-	-	569,971
93.569	Z-13-49120	Community Services Block Grant	Tennessee Department of Human Services	07/01/12-06/30/13	1,314,956	146,340	146,340	-	-	-	-	-
93.569	Z-14-49120	Community Services Block Grant	Tennessee Department of Human Services	07/01/13-06/30/14	1,144,000	-	908,524	5,790	1,068,869	-	-	154,555
		Subtotal 93.569				146,340	1,054,864	5,790	1,068,869	-	-	154,555

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
 Schedule of Program Activity
 Year Ended June 30, 2014

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/13 Receivable (Grant Funds Received in Advance)	2013/2014 Receipts	2013/2014 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/14 Grant Funds Received in Advance	06/30/14 Receivable
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)												
Department of Health and Human Services (Continued)												
93.600	04CH3068/47	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	01/01/13-12/31/13	\$ 7,393,311	\$ 138,575	\$ 4,168,176	\$ -	\$ 4,029,601	\$ -	\$ -	\$ -
93.600	04CH3068/47	Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	01/01/13-12/31/13	90,372	-	43,033	-	43,033	-	-	-
93.600	N/A	In-Kind Contributions	N/A	01/01/13-12/31/13	1,870,921	-	-	872,520	872,520	-	-	-
93.600	04CH4688/01	Head Start Full-Year, Part-Day	U.S. Dept. of Health and Human Services	01/01/14-12/31/14	7,906,074	-	3,325,607	219	3,548,311	-	-	222,485
93.600		Head Start Training and Technical Assistance	U.S. Dept. of Health and Human Services	01/01/14-12/31/14	90,372	-	41,168	-	41,168	-	-	-
93.600	N/A	In-Kind Contributions	N/A	01/01/14-12/31/14	1,999,112	-	-	966,794	966,794	-	-	-
		Subtotal 93.600				<u>138,575</u>	<u>7,577,984</u>	<u>1,839,533</u>	<u>9,501,427</u>	<u>-</u>	<u>-</u>	<u>222,485</u>
93.602	90EI0759/01	Assets for Independence Individual Development Accounts	U.S. Dept. of Health and Human Services	07/01/12-06/30/17	100,000	(97,707)	138	23	28,538	-	69,330	-
		Subtotal 93.602				<u>(97,707)</u>	<u>138</u>	<u>23</u>	<u>28,538</u>	<u>-</u>	<u>69,330</u>	<u>-</u>
Corporation for National and Community Service												
94.002	13SRSTN002	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/13-03/31/14	53,812	1,600	43,187	-	41,587	-	-	-
94.002	N/A	In-Kind Contributions	N/A	04/01/13-03/31/14	13,682	-	-	10,262	10,262	-	-	-
94.002	13SRSTN002	Retired Senior Volunteer Program	Corp. for National and Community Service	04/01/14-03/31/15	54,812	-	10,376	-	13,208	-	-	2,832
94.002	N/A	In-Kind Contributions	N/A	04/01/14-03/31/15	13,682	-	-	3,420	3,420	-	-	-
		Subtotal 94.002				<u>1,600</u>	<u>53,563</u>	<u>13,682</u>	<u>68,477</u>	<u>-</u>	<u>-</u>	<u>2,832</u>
Department of Homeland Security												
97.024	31-7634-00	Emergency Food & Shelter	United Way National Board - Carter Co.	04/01/13-03/31/14	10,189	-	5,094	-	10,189	-	-	5,095
97.024	31-7692-00	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Hawkins Co.	04/01/13-05/31/14	16,040	-	16,040	-	16,040	-	-	-
97.024	31-7710-00	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Johnson Co.	04/01/13-05/31/14	7,567	-	7,567	-	7,567	-	-	-
97.024	31-7798-00	Emergency Food & Shelter	U.S. Dept. of Homeland Security-Unicoi Co.	04/01/13-05/31/14	7,643	-	7,643	-	7,643	-	-	-
		Subtotal 97.024				<u>-</u>	<u>36,344</u>	<u>-</u>	<u>41,439</u>	<u>-</u>	<u>-</u>	<u>5,095</u>
		Total Federal Financial Assistance				<u>198,293</u>	<u>13,745,166</u>	<u>1,865,986</u>	<u>16,366,378</u>	<u>-</u>	<u>163,980</u>	<u>1,117,499</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity
Year Ended June 30, 2014

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	06/30/13 Receivable (Grant Funds Received in Advance)	2013/2014 Receipts	2013/2014 Other Revenue	Expenditures	Excess of Expenditures Over Revenue	06/30/14 Grant Funds Received in Advance	06/30/14 Receivable
OTHER ASSISTANCE												
N/A	N/A	State Appropriated	State of TN	07/01/13-06/30/14	\$ 22,050	\$ -	\$ 22,050	\$ -	\$ 22,050	\$ -	\$ -	\$ -
N/A	N/A	IDA Contribution - #4	Donations	07/01/12-06/30/17	N/A	-	-	161	28,538	(28,377)	-	-
N/A	N/A	Housing	Donations	07/01/13-06/30/14	N/A	-	-	20,000	12,374	7,626	-	-
		Total Other Assistance				-	22,050	20,161	62,962	(20,751)	-	-
		Total - Special Revenue Fund				198,293	13,767,216	1,886,147	16,429,340	(20,751)	163,980	1,117,499
GENERAL AND LOCAL FUND ACTIVITY												
		Agency Operations	Donations, Interest Income			-	-	108,414	132,251	(23,837)	-	-
		TOTALS				\$ 198,293	\$ 13,767,216	\$ 1,994,561	\$ 16,561,591	\$ (44,588)	\$ 163,980	\$ 1,117,499

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Program Activity
Year Ended June 30, 2014

Note: Included in other revenue is in-kind contributions required by grant awards. In-kind is recorded at market value and is recognized in the period received. The in-kind recorded relates primarily to the Head Start program and consists of volunteer services, donated facilities, and donated materials. In-kind is not recorded in the combined statement of revenue, expenditures and changes in fund balances.

The revenue and expenditures are as follows:

REVENUE		EXPENDITURES	
(Prior year grant receivable) funds received in advance	\$ (198,293)	Expenditures	\$ 16,561,591
Current grant receipts	13,767,216	In-kind contributions	<u>(1,852,996)</u>
Current grant funds received in advance	(163,980)		
Current grant receivable	<u>1,117,499</u>		
Net grant and commodity revenue	14,522,442		
Other revenue	1,994,561		
In-kind	<u>(1,852,996)</u>		
 Total revenue per combined statement of revenue, expenditures, and changes in fund balances (see page 14)	 <u>\$ 14,664,007</u>	 Total expenditures per combined statement of revenue, expenditures, and changes in fund balances (see page 14)	 <u>\$ 14,708,595</u>

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
(Passed-Through Tennessee Department of Agriculture)		
The Emergency Food Assistance Program (Food Commodities) (Noncash assistance)	10.569	\$ <u>278,718</u>
(Passed-Through Tennessee Department of Human Services)		
Child and Adult Care Food Program	10.558	43,008
Child and Adult Care Food Program	10.558	<u>255,512</u>
Subtotal 10.558		<u>298,520</u>
(Passed-Through Tennessee Department of Agriculture)		
The Emergency Food Assistance Program	10.568	14,303
The Emergency Food Assistance Program	10.568	<u>74,687</u>
Subtotal 10.568		<u>88,990</u>
U.S. DEPARTMENT OF ENERGY		
(Passed-Through Tennessee Housing Development Agency)		
Weatherization Assistance for Low-Income Persons	81.042	<u>340,036</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
(Passed-Through Tennessee Department of Human Services)		
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	31,465
Temporary Assistance for Needy Families (Child Care Certificate Program)	93.558	<u>30,312</u>
Subtotal 93.558		<u>61,777</u>
(Passed-Through Tennessee Department of Human Services)		
Low-Income Home Energy Assistance Program	93.568	571,332
(Passed-Through Tennessee Housing Development Agency)		
Low-Income Home Energy Assistance Program	93.568	<u>4,011,297</u>
Subtotal 93.568		<u>4,582,629</u>
(Passed-Through Tennessee Department of Human Services)		
Community Services Block Grant	93.569	<u>1,063,079</u>
Direct Grant		
Head Start Full-Year, Part-Day (includes delegate expenses of \$676,725)	93.600	4,029,601
Head Start Training and Technical Assistance (includes delegate expenses of \$10,896)	93.600	43,033
Head Start Full-Year, Part-Day (includes delegate expenses of \$670,513)	93.600	3,548,092
Head Start Training and Technical Assistance (includes delegate expenses of \$4,926)	93.600	<u>41,168</u>
Subtotal 93.600		<u>7,661,894</u>
Direct Grant		
Assets for Independence Demonstration Program (Individual Development Accounts)	93.602	<u>28,515</u>

See independent auditors' report.

See notes to schedule of expenditures of federal awards.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Direct Grant		
Retired Senior Volunteer Program	94.002	\$ 41,587
Retired Senior Volunteer Program	94.002	<u>13,208</u>
Subtotal 94.002		<u>54,795</u>
DEPARTMENT OF HOMELAND SECURITY		
Direct Grant		
Emergency Food and Shelter	97.024	16,040
Emergency Food and Shelter	97.024	7,567
Emergency Food and Shelter	97.024	7,643
(Passed-Through United Way National)		
Emergency Food and Shelter	97.024	<u>10,189</u>
Subtotal 97.024		<u>41,439</u>
TOTAL FEDERAL PROGRAMS		<u>\$ 14,500,392</u>

See independent auditors' report.
See notes to schedule of expenditures of federal awards.

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2014

NOTE 1 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards includes the federal grant activity of UETHDA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SCHEDULE OF PROGRAM ACTIVITY

The expenses included in the schedule of program activity include both federal and nonfederal expenditures for the period July 1, 2013, to June 30, 2014. The federal expenditures on this schedule represent the amount of federal grant monies expended.

NOTE 3 - DELEGATE AGENCIES

UETHDA delegates a portion of their federal Head Start program to two local school districts. Expenses reported by the delegates for the year ended June 30, 2014, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 902,626
Johnson County Board of Education	<u>460,434</u>
Total	<u>\$ 1,363,060</u>

NOTE 4 - IN-KIND

The Head Start program, funded by the Department of Health and Human Services, requires that the program receive a nonfederal share equal to 25% of total federal expenditures. The nonfederal in-kind contributions were received by UETHDA and delegate agencies as follows:

Delegates/UETHDA	04CH3068/47	04CH4688/01	Total
Carter County Head Start	\$ 69,299	\$ 148,362	\$ 217,661
Johnson County Board of Education	<u>58,049</u>	<u>57,410</u>	<u>115,459</u>
Subtotal	127,348	205,772	333,120
UETHDA	<u>745,173</u>	<u>761,021</u>	<u>1,506,194</u>
Total Head Start in-kind	<u>\$ 872,521</u>	<u>\$ 966,793</u>	<u>\$ 1,839,314</u>



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
Upper East Tennessee Human Development 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Upper East Tennessee Human Development Agency, Inc. "UETHDA", as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements, and have issued our report thereon dated November 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UETHDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UETHDA's internal control. Accordingly, we do not express an opinion on the effectiveness of UETHDA'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 UETHDA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UETHDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UETHDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UETHDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodefer Moss & Co, PLLC

Kingsport, Tennessee
November 18, 2014

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control
Over Compliance Required By OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Upper East Tennessee Human Development Agency, Inc.'s "UETHDA" compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of UETHDA's major federal programs for the year ended June 30, 2014. UETHDA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of UETHDA's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UETHDA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UETHDA's compliance.

Opinion on Each Major Federal Program

In our opinion, UETHDA 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, 2014.

Report on Internal Control over Compliance

Management of UETHDA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UETHDA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UETHDA's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Roddefor Moss & Co, PLLC

Kingsport, Tennessee
November 18, 2014

UPPER EAST TENNESSEE HUMAN DEVELOPMENT AGENCY, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Upper East Tennessee Human Development Agency, Inc.
2. There were no significant deficiencies relating to the financial statements reported in the 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*.
3. No instances of material noncompliance to the financial statements of Upper East Tennessee Human Development Agency, Inc. were discovered during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditors' Report On Compliance With Requirements That Could Have A Direct And Material Effect On Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs of Upper East Tennessee Human Development Agency, Inc. expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs of Upper East Tennessee Human Development Agency, Inc.
7. The program tested as a major program was:
CFDA 93.568 Low-Income Home Energy Assistance
8. The threshold for distinguishing Type A and B programs was \$435,012.
9. Upper East Tennessee Human Development Agency, Inc. was determined to be a low-risk auditee.

Current Year Findings - Financial Statement Audit

None

Current Year Findings and Questioned Costs - Major Federal Award Programs Audit

Findings:	None
Questioned Costs:	None

Prior Year Findings - Financial Statement Audit

None

Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit

Findings:	None
Questioned Costs:	None