



**Upper East Tennessee
Human Development Agency**

Upper East Tennessee Human Development Agency, Inc.

Financial Report

June 30, 2025

Upper East Tennessee Human Development Agency, Inc.

Contents

Introductory Section

Directory of Officers and Directors i

Financial Section

Independent Auditor’s Report 1

Management’s Discussion and Analysis 4a

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1: Statement of Net Position..... 5

Exhibit 2: Statement of Activities..... 6

Fund Financial Statements

Exhibit 3: Balance Sheet – Governmental Funds 7

Exhibit 4: Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position..... 8

Exhibit 5: Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds 9

Exhibit 6: Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities 10

Notes to Financial Statements 11

Required Supplementary Information

Exhibit 7: Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based
on Participation in the Public Employee Pension Plan of TCRS and Related Notes..... 28

Exhibit 8: Schedule of Contributions Based on Participation in the Public Employee
Pension Plan of TCRS 29

Notes to the Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS 30

Exhibit 9: Schedule of Changes in Total Other Postemployment Benefits Liability and
Related Ratios and Related Notes 31

Other Information

Schedule of Changes in Lease Obligations..... 32

Compliance Section

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33
Schedule of Findings and Responses	35
Summary Schedule of Prior Audit Findings	36



Introductory Section

Upper East Tennessee Human Development Agency, Inc.

Directory of Officers and Directors

June 30, 2025

Officers

Timothy Jaynes..... Executive Director
Connie Shockley Finance Director
Kenneth Treadway Board Chairman (Target Sector)
Charles VonCannon Board Vice-Chair (Target Sector)
Sara Mietzner Board Secretary/Treasurer (Private Sector)

Board of Directors

Target Sector

Kim Bordeaux (a)
Patricia Bryant (a)
Aloma Cole (a)
Margaret Collins
Kristin Davis
Starlisha Dugger (a) – Policy
Council
Kelly Geagley (a)
Pat Grindstaff
Sandra Koehler
Sue Mallory
Jessie Reece (a)
Johnnie Mae Swagerty
Amelia Taylor, Chairperson –
Policy Council
Ruth Thomas
Kenneth Treadway
Charles VonCannon

Public Sector

Carolyn Byrd (r)
Alonzo Collins (r)
Mark DeWitte, Hawkins County Mayor
Garland “Bubba” Evely, Unicoi County Mayor
Joe Grandy, Washington County Mayor
Thomas Harrison, Hancock County Mayor
Paul Montgomery, City of Kingsport Mayor
Kevin Morrison, Greene County Mayor
Larry Potter, Johnson County Mayor
Jim Sells, City of Rogersville Mayor
Richard Venable, Sullivan County Mayor
Pat Wolfe (r)
Patty Woodby, Carter County Mayor

Private Sector

Cindy Anderson
Dick Grayson
Mike Harrison
Ron Metcalfe
Sara Mietzner
Katherine Motsinger-Eller
Susan Payne
Polly Peterson, Esq.
Col. Henry Reyes
Andria Smith (a)
Rev. James Whiteside

(r) Designated Representative

(a) Alternate

Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major governmental funds of the Upper East Tennessee Human Development Agency, Inc. (UETHDA) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise UETHDA'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 and the major governmental funds of UETHDA, as of June 30, 2025, 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.

Basis for Opinions

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UETHDA 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UETHDA'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 UETHDA'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 UETHDA'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, the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS and related notes, the schedule of contributions based on participation in the public employee pension plan of TCRS, the notes to the schedule of contributions based on participation in the public employee pension plan of TCRS, and schedule of changes in total other postemployment benefits liability and related ratios and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory and other information sections but does not include the basic financial statements and our auditor's 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 5, 2025, 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 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 UETHDA'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 UETHDA's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
December 5, 2025

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2025

Financial Highlights

UETHDA's expenditures this fiscal year were \$24,761,442 compared to \$26,892,856 for the period July 1, 2023 through June 30, 2024. This was an overall decrease in expenditures of \$2,131,414. This is primarily due to the decreases in expenditures in direct client assistance of \$1,988,111.

Additionally:

- UETHDA's overall financial position, as reflected in total net position, decreased by \$420,855 due to current year activities.
- In governmental funds, the total fund balance increased by \$113,652.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those items 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 5 through 6 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 revenues, expenditures, and changes in fund balances.

Fund Financial Statements

- UETHDA has only one kind of fund. The governmental funds include 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.

Upper East Tennessee Human Development Agency, Inc.

Management’s Discussion and Analysis

June 30, 2025

- Financial information is presented separately on both the balance sheet and the statement of revenues, 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. The governmental fund financial statements are on pages 7 through 10 of this report.

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 energy assistance.
Required Financial Statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balances.
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.	Revenues 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 11 of this report.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2025

Financial Analysis

UETHDA as a Whole

Net Position

Table 1 below provides a summary of UETHDA's net position as of June 30, 2025 and 2024.

Table 1
Condensed Statement of Net Position

	<u>Government-wide</u>	
	<u>2025</u>	<u>2024</u>
Current assets	\$ 2,920,584	\$ 3,136,689
Capital assets	2,836,170	3,028,823
Total assets	<u>\$ 5,756,754</u>	<u>\$ 6,165,512</u>
Deferred outflow of resources	<u>\$ 1,601,638</u>	<u>\$ 1,582,501</u>
Current liabilities	\$ 1,777,529	\$ 1,864,393
Long-term liabilities	814,279	758,344
Other liabilities	154,410	235,092
Total liabilities	<u>\$ 2,746,218</u>	<u>\$ 2,857,829</u>
Deferred inflow of resources	<u>\$ 477,040</u>	<u>\$ 334,195</u>
Net investment in capital assets	\$ 2,450,762	\$ 2,505,700
Restricted – grant proceeds	80,071	50,626
Unrestricted	<u>1,604,301</u>	<u>1,999,663</u>
Total net position	<u>\$ 4,135,134</u>	<u>\$ 4,555,989</u>

In governmental activities, total assets and deferred outflow of resources decreased by \$389,621, this is primarily due to a decrease in inventory of \$145,976. Total liabilities and deferred inflow of resources increased by \$31,234, this is primarily due to an increase in compensated absences of \$189,998 and a decrease in lease liabilities of \$137,715. The change in net position is a decrease of \$420,855.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2025

Financial Analysis (Continued)

Change in Net Position

Table 2 summarizes the change in net position for the fiscal years ended June 30, 2025 and 2024.

Table 2
Change in Net Position

	<u>2025</u>	<u>Percentage of Funding</u>	<u>2024</u>	<u>Percentage of Funding</u>
Revenues:				
Operating grants and contributions	\$ 24,222,834	98.17%	\$ 26,078,825	96.82%
Capital grants and contributions	396,561	1.61%	786,250	2.92%
Miscellaneous	24,622	0.10%	41,863	0.15%
Interest and investments earnings	29,213	0.12%	29,388	0.11%
Total revenues	<u>24,673,230</u>	<u>100.00%</u>	<u>26,936,326</u>	<u>100.00%</u>
Expenditures:				
Community services programs	2,377,408	9.47%	2,444,358	9.20%
Weatherization/energy assistance	7,976,984	31.79%	10,879,578	40.95%
Child education	13,053,088	52.02%	11,992,114	45.14%
Nutrition programs	365,299	1.46%	457,553	1.72%
Emergency shelter programs	1,238,886	4.94%	755,344	2.84%
Corporate activities	82,420	0.32%	40,928	0.15%
Total expenditures	<u>25,094,085</u>	<u>100.00%</u>	<u>26,569,875</u>	<u>100.00%</u>
Change in net position	<u>\$ (420,855)</u>		<u>\$ 366,451</u>	

As shown, program revenue in the form of grants and contributions provide over 99% 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

June 30, 2025

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 and weatherization/energy assistance were used to acquire grant-funded equipment, which has been capitalized in the statement of net position.

Table 3
Net Cost of Government Activities

	2025		2024	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Community services programs	\$ 2,377,408	\$ (124,857)	\$ 2,444,358	\$ (38,582)
Weatherization/energy assistance	7,976,984	(58,285)	10,879,578	(24,394)
Child education	13,053,088	(208,455)	11,992,114	399,548
Nutrition programs	365,299	-	457,553	-
Emergency shelter programs	1,238,886	(673)	755,344	(474)
Corporate activities	82,420	(82,420)	40,928	(40,898)
Totals	<u>\$ 25,094,085</u>	<u>\$ (474,690)</u>	<u>\$ 26,569,875</u>	<u>\$ 295,200</u>

Governmental Funds

UETHDA completed the year with a total governmental fund balance of \$1,630,566 of which \$1,091,531 is general fund balance and \$539,035 is special revenue fund balance. This represents an increase of \$9,797 in general fund balance from \$1,081,734 as of June 30, 2024, and an increase of \$103,855 in special revenue fund balance from \$435,180 as of June 30, 2024.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2025

Financial Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets

At the end of the 2025 fiscal year, UETHDA had invested a cumulative amount of \$7,124,050 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 \$383,671. Additional information about capital assets can be found in Note 5, page 18. Total accumulated depreciation and amortization on these assets was \$4,287,880.

- UETHDA recognized depreciation and amortization expense of \$593,324 for governmental activities (see page 10).

Table 4
Capital Assets

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Land	\$ 21,000	\$ 21,000	0.00%
Buildings and capital improvements	2,932,646	2,874,482	2.02%
Furniture and equipment	565,452	546,345	3.50%
Vehicle	2,704,788	2,398,388	12.78%
Right-of-use leased asset	900,164	900,164	0.00%
Accumulated depreciation and amortization	<u>(4,287,880)</u>	<u>(3,711,556)</u>	15.53%
Totals	<u>\$ 2,836,170</u>	<u>\$ 3,028,823</u>	

In-Kind

One of UETHDA's programs (Head Start) requires 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 funds awarded.

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 Housing Development Agency, the "state cognizant agency" for UETHDA. The indirect cost final rate of 6.71% for the year ended June 30, 2024, is awaiting final approval from the Department of Health and Human Services, the "federal cognizant agency" for UETHDA.

Upper East Tennessee Human Development Agency, Inc.

Management's Discussion and Analysis

June 30, 2025

Financial Analysis (Continued)

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 49% was provided under Head Start and approximately 31% 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.



Basic Financial Statements



Government-Wide Financial Statements

Statement of Net Position

June 30, 2025

ASSETS

CURRENT ASSETS

Cash (Note 2)	\$ 572,367
Receivables	
Due from grantor agencies (Note 3)	2,190,757
Other accounts receivable	58,566
Prepaid expenses	73,588
Inventory	25,306
Total current assets	<u>2,920,584</u>

CAPITAL ASSETS (Note 5)

Land	21,000
Building and capital improvements	2,932,646
Furniture and equipment	565,452
Vehicles	2,704,788
Right-of-use leased asset	900,164
Total capital assets	<u>7,124,050</u>
Less: accumulated depreciation and amortization	<u>(4,287,880)</u>
Net capital assets	<u>2,836,170</u>
Total assets	<u>5,756,754</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to pensions (Note 8)	1,522,765
Deferred outflows related to other postemployment benefits (Note 9)	78,873
Total deferred outflow of resources	<u>1,601,638</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	1,035,142
Accrued payroll and related expenses	254,876
Compensated absences, current (Note 6)	341,065
Lease liabilities, current (Note 6)	146,446
Total current liabilities	<u>1,777,529</u>

LONG-TERM LIABILITIES

Compensated absences, net of current portion (Note 6)	299,288
Lease liabilities, net of current portion (Note 6)	238,962
Net pension liability (Note 8)	154,410
Other postemployment benefits liability (Note 9)	276,029
Total long-term liabilities	<u>968,689</u>
Total liabilities	<u>2,746,218</u>

DEFERRED INFLOW OF RESOURCES

Deferred inflows related to pensions (Note 8)	317,924
Deferred inflows related to other postemployment benefits (Note 9)	159,116
Total deferred inflow of resources	<u>477,040</u>

NET POSITION

Net investment in capital assets	2,450,762
Restricted – contributions (Note 7)	80,071
Unrestricted	1,604,301
Total net position	<u>\$ 4,135,134</u>

Statement of Activities

Year Ended June 30, 2025

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	\$ 1,528,294	\$ (1,528,294)	\$ -	\$ -	\$ -
Community services programs	2,222,882	154,526	2,252,551	-	(124,857)
Energy assistance	7,420,894	556,090	7,918,699	-	(58,285)
Child education	12,336,570	716,518	12,448,072	396,561	(208,455)
Nutrition programs	339,489	25,810	365,299	-	-
Emergency shelter programs	1,163,536	75,350	1,238,213	-	(673)
Total program activities	<u>25,011,665</u>	<u>-</u>	<u>24,222,834</u>	<u>396,561</u>	<u>(392,270)</u>
Support services:					
General government	18,688	(18,688)	-	-	-
Corporate activities	63,732	18,688	-	-	(82,420)
Total support services	<u>82,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82,420)</u>
Total organization	<u>\$ 25,094,085</u>	<u>\$ -</u>	<u>\$ 24,222,834</u>	<u>\$ 396,561</u>	<u>(474,690)</u>
General revenue:					
Miscellaneous					24,622
Interest and investment earnings					29,213
Total general revenue					<u>53,835</u>
Change in net position					<u>(420,855)</u>
NET POSITION					
Beginning of year					4,555,989
End of year					<u>\$ 4,135,134</u>



Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2025

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
ASSETS			
Cash (Note 2)	\$ 572,367	\$ -	\$ 572,367
Receivables:			
Due from grantor agencies (Note 3)	-	2,190,757	2,190,757
Other receivables	1,593	56,973	58,566
Due from other funds	451,682	-	451,682
Prepaid expenses	66,258	7,330	73,588
Inventory	-	25,306	25,306
Total assets	<u>\$ 1,091,900</u>	<u>\$ 2,280,366</u>	<u>\$ 3,372,266</u>
LIABILITIES			
Accounts payable	\$ 369	\$ 1,034,773	\$ 1,035,142
Accrued payroll and related expenses	-	254,876	254,876
Due to other funds	-	451,682	451,682
Total liabilities	<u>369</u>	<u>1,741,331</u>	<u>1,741,700</u>
FUND BALANCES			
Nonspendable:			
Inventory	-	25,306	25,306
Prepaid expenses	66,258	7,330	73,588
Restricted (Note 7)	-	80,071	80,071
Unassigned	1,025,273	426,328	1,451,601
Total fund balances	<u>1,091,531</u>	<u>539,035</u>	<u>1,630,566</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,091,900</u>	<u>\$ 2,280,366</u>	<u>\$ 3,372,266</u>

**Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2025**

Total fund balance – governmental funds		\$ 1,630,566
<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	\$ 7,124,050	
Less: governmental accumulated depreciation and amortization	<u>(4,287,880)</u>	
Net capital assets		2,836,170
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences		(640,353)
Lease liabilities		(385,408)
<p>Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits will be amortized and recognized as components of pension expense in future years.</p>		
Deferred outflows related to pensions	1,522,765	
Deferred outflows related to other postemployment benefits	78,873	
Deferred inflows related to pensions	(317,924)	
Deferred inflows related to other postemployment benefits	<u>(159,116)</u>	
Net deferral of resources		1,124,598
Net pension liabilities		(154,410)
<p>Other postemployment benefits liabilities of the agency represent a long-term liability for which future funds will be necessary to fund.</p>		
		<u>(276,029)</u>
Total net position – governmental activities		<u><u>\$ 4,135,134</u></u>

Upper East Tennessee Human Development Agency, Inc.

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Total
REVENUES			
Grants	\$ -	\$ 24,105,259	\$ 24,105,259
Local contributions	-	716,000	716,000
Other	18,103	6,519	24,622
Interest income	29,213	-	29,213
Total revenues	47,316	24,827,778	24,875,094
EXPENDITURES			
Salaries	11,992	7,405,427	7,417,419
Fringe benefits	153	2,459,319	2,459,472
Travel	1,135	292,232	293,367
Communications	-	94,061	94,061
Utilities	-	80,855	80,855
Office supplies	168	62,466	62,634
Program supplies	662	1,099,261	1,099,923
Maintenance and repairs	-	443,009	443,009
Rental buildings	-	147,304	147,304
Contractual	-	321,439	321,439
Delegate agencies	-	2,093,447	2,093,447
Equipment rent	-	7,628	7,628
Equipment (sensitive minor)	-	136,391	136,391
Equipment and capital improvements	4,110	396,561	400,671
Insurance	-	75,376	75,376
Advertising	-	75,917	75,917
Direct client assistance	9	7,696,171	7,696,180
Parent activities, dues, and fees	602	25,299	25,901
Training	-	150,404	150,404
Indirect costs	18,688	1,528,294	1,546,982
Commodities distributed	-	133,062	133,062
Total expenditures	37,519	24,723,923	24,761,442
Excess of revenues over expenditures	9,797	103,855	113,652
FUND BALANCES			
Beginning of year	1,081,734	435,180	1,516,914
End of year	\$ 1,091,531	\$ 539,035	\$ 1,630,566

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2025

Net change in fund balances – total governmental funds \$ 113,652

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

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 expense in the statement of activities.

Capital outlay and right-of-use lease assets	\$ 400,671
Depreciation and amortization expense	<u>(593,324)</u>

Amount by which capital acquisitions are more than depreciation in the current period	(192,653)
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Revenues are reported in the governmental funds if they provide current financial resources to liquidate liabilities of the current period.

Unavailable revenues	(201,863)
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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.

Net accrued vacation and personal leave earned	(186,998)
--	-----------

The repayment of lease liabilities consumes the current financial resources of government funds.

Principal repayments on lease liabilities	137,715
---	---------

Pension and other postemployment benefits expenses are recognized in the governmental funds as current financial resources are utilized. The statement of activities recognizes the pension expense as the deferred outflows and inflows are amortized.

Pension expense recognized in the statement of activities	(607,151)
Other postemployment benefits expense recognized in the statement of activities	(2,125)
Pension expense recognized in the governmental funds	<u>518,568</u>

Net difference in the amount of pension and other postemployment benefit expense recognized	(90,708)
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Change in net position – governmental activities	<u><u>\$ (420,855)</u></u>
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Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

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.

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 (the "State"), UETHDA reports to the State under the jurisdiction of GASB rather than Financial Accounting Standards Board (FASB). Therefore, this organization must follow the same guidelines as any other governmental unit in the State.

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 UETHDA 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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

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, energy assistance, 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. In addition, UETHDA does not have, nor does it expect to have, any assigned fund balance. UETHDA's restricted fund balance consists of the various local grants and donations that have been received for a specific spending purpose. 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.

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 as unearned revenue when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grant funds received in advance also arise 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 prepaids) or legally or contractually required to be maintained intact.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

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.

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. Capital assets with a cost of \$5,000 or more and a useful life that exceeds one year are depreciated using the straight-line depreciation method over the estimated useful life of the asset.

Estimated useful lives of capital assets reported in UETHDA's financial statements are as follows:

	Estimated Useful Life (In Years)
Buildings and capital improvements	7 – 30
Furniture and equipment	3 – 15
Vehicles	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 advanced basis or on a cost-reimbursement basis, either a receivable (due from grantor agencies) or a liability (unearned revenues) may exist at year end. 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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Inventories

UETHDA uses the first-in first-out (FIFO) method in determining cost of inventory. Inventory consists of materials on hand that are used in the Weatherization Assistance Program.

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 statement of net position represents accrued annual leave for all UETHDA employees at June 30, 2025. UETHDA recognizes a liability for compensated absences that includes amounts for leave that are attributable to services already rendered, that accumulates and is more likely than not to be used for time off or otherwise paid or settled. The liability for compensated absences is measured using employees' pay rates in effect as of the financial statement date. The liability also includes any salary-related payments that are directly and incrementally associated with payments for leave. Certain types of leave, such as parental leave, military leave, and jury duty leave, are not recognized until the leave commences. Additionally, leave expected to be converted to defined benefit postemployment benefits is excluded from this liability. Grant funds reimburse the special revenue fund as the leave is paid.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenses) until that time. UETHDA has two items that qualify for reporting in this category; deferred outflows related to pensions and deferred outflows related to other postemployment benefits (OPEB). Deferred outflows for pensions and OPEB occur when there are differences between expected and actual experience, change in assumptions or contributions made after the measurement date, as well as differences between expected and actual investment earnings. These items result from the requirements recognized under GASB 68 for pensions and GASB 75 for OPEB. The deferred outflows related to pensions reflect payments made by UETHDA not currently recognized by the pension plans and the deferred outflows related to OPEB reflect the present value of projected future benefits.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. UETHDA has three types of deferred inflows. Two of these relate to the recognition of employee pensions and OPEB as required under GASB 68 and GASB 75, respectively. Deferred inflows for pension and OPEB occur when there are differences in expected and actual experience, differences in expected and actual investment earnings, and changes in assumptions. UETHDA additionally reports unavailable/unearned revenue from grant receivables not collected within 60 days of year end. Unavailable/unearned revenue may also represent revenue that has been received, but the earnings process is not yet complete. These amounts are deferred and recognized as an inflow of resources in the period they are earned.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of UETHDA's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from UETHDA's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan.

For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined on an actuarial basis based on UETHDA's participation in the Tennessee Local Government Insurance Plan. For reporting purposes, the plan is considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the GASB. The plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Income Taxes

UETHDA is a private nonprofit organization, 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 (IRS).

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.

Delegate Agencies

UETHDA delegates a portion of the Head Start program to two local school districts. Delegate expenditures have been included in the statement of revenues, expenditures, and changes in fund balances. These delegate agencies are required to submit their own agency-wide audit reports. Any modifications to UETHDA's financial records as a result of the delegate agency reports will be reported in the fiscal year in which 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, 2025, was 6.70%.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Leases

Leases are recorded under GASB No. 87, *Leases*, which for lessees requires reporting an intangible right-of-use asset and a lease liability for long-term leases.

UETHDA leases various facilities for operation of its programs. All of UETHDA's real estate leases are cancelable with a thirty-day notice in the event that UETHDA loses federal funding for any program which utilizes leased property.

Key estimates and judgments include how UETHDA determines (1) the discount rate it uses to discount the expected lease receipts and/or payments to present value, (2) lease term, and (3) lease receipts and/or payments.

- UETHDA uses an estimated incremental borrowing rate as the discount rate for lease.
- The lease term includes the noncancelable periods of the lease. Lease receipts and payments are included in the measurement of the lease receivable or liability, respectively, and are composed of fixed payments.
- UETHDA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure if certain changes occur that are expected to significantly affect the amount of the lease receivable or liability.

Right-of-Use Lease Asset and Related Lease Liability

UETHDA is a lessee for noncancelable leases of buildings and equipment. UETHDA recognized an intangible right-of-use asset (lease asset) and a related lease liability on the statement of net position. At the commencement of a lease, UETHDA initially measures a lease liability at the present value of payments expected to be made during the lease period. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain direct costs. Subsequent to the initial measurement and recognition, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Adoption of New Accounting Principle

Effective July 1, 2024, UETHDA adopted Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. Adoption did not result in material changes requiring restatement.

Note 2 – Deposits 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.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

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

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash with financial institution	\$ 776,048	\$ 572,367

Investments

Prevailing Law

State statutes authorize UETHDA to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; certificates of deposit or other evidence of deposit at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurers' Investment Pool; and bonds of any state or political subdivision subject to qualification.

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.

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.

Concentration of Credit Risk

UETHDA places no limit on the amount it may invest in any one issuer.

Note 3 – Receivable – Due from Grantor Agencies

Receivables from grantor agencies consisted of the following:

Federal	\$ 659,076
State	1,531,681
	<u>\$ 2,190,757</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Note 4 – 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

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

inventory with a corresponding balance in grant funds received in advance. The value of commodity inventory at June 30, 2025, was \$-0-.

Note 5 – Capital Assets

Capital asset balances and activity for the year consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Capital assets being depreciated				
Building and capital improvements	2,874,482	58,164	-	2,932,646
Furniture and equipment	546,345	19,107	-	565,452
Vehicles	2,398,388	323,400	(17,000)	2,704,788
Total capital assets being depreciated	<u>5,819,215</u>	<u>400,671</u>	<u>(17,000)</u>	<u>6,202,886</u>
Less: accumulated depreciation				
Buildings and capital assets	840,593	279,422	-	1,120,015
Furniture and equipment	528,275	14,566	-	542,841
Vehicles	1,918,247	160,491	(17,000)	2,061,738
Total accumulated depreciation	<u>3,287,115</u>	<u>454,479</u>	<u>(17,000)</u>	<u>3,724,594</u>
Capital assets being depreciated, net of accumulated depreciation	<u>2,532,100</u>	<u>(53,808)</u>	<u>-</u>	<u>2,478,292</u>
Governmental activities capital assets, net	<u>2,553,100</u>	<u>(53,808)</u>	<u>-</u>	<u>2,499,292</u>
Right-of-use leased assets				
Buildings	900,164	-	-	900,164
Less: accumulated amortization	<u>(424,441)</u>	<u>(138,845)</u>	<u>-</u>	<u>(563,286)</u>
Lease assets, net	<u>475,723</u>	<u>(138,845)</u>	<u>-</u>	<u>336,878</u>
Total capital assets, net	<u>\$ 3,028,823</u>	<u>\$ (192,653)</u>	<u>\$ -</u>	<u>\$ 2,836,170</u>

Depreciation and amortization expense for the year ended June 30, 2025, was \$593,324. This total is broken out by program as follows:

Governmental activities:	
Child education	\$ 504,838
Community services programs	66,165
Weatherization	21,458
Local	863
Total depreciation and amortization expense	<u>\$ 593,324</u>

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Note 6 – Long-Term Liabilities

Long-term liability balances and activity for the year consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued annual leave	\$ 453,355	\$ 186,998*	\$ -	\$ 640,353	\$ 341,065
Lease liabilities	523,123	-	(137,715)	385,408	146,446
Pension liability	235,092	-	(80,682)	154,410	-
Other postemployment benefits liability	228,347	64,967	(17,285)	276,029	-
Total Governmental activities long-term liabilities	\$ 1,439,917	\$ 251,965	\$ (235,682)	\$ 1,456,200	\$ 487,511

*Amount is shown net.

The annual requirements to amortize lease liabilities are as follows:

Year Ending June 30,	Principal	Interest
2026	\$ 146,446	\$ 7,486
2027	83,630	6,036
2028	90,373	3,438
2029	64,959	830
	\$ 385,408	\$ 17,790

UETHDA has lease liabilities for various property rentals. The lease terms related to these leases range from 24 to 93 months in length with interest rates determined to be 3%. Monthly payments related to these leases range from \$339 to \$5,070.

Note 7 – Restricted Net Position

The restricted net position related to contributions consisted of the following:

Community Services local contributions	\$ 74,434
Head Start local contributions	1,089
Reading is Fundamental donations	4,548
	\$ 80,071

Community Services Local contributions are used to provide services to low income individuals in the community. Head Start Local contributions support Head Start classrooms and Reading is Fundamental donations provide books for children.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Note 8 – Retirement Plan

General Information About the Pension Plan

Plan Description

Employees of UETHDA are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	137
Inactive employees entitled to but not yet receiving benefits	503
Active employees	247
	<hr/>
	887
	<hr/> <hr/>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. UETHDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, the employer contributions for UETHDA were \$592,975 based on a rate of 7.13% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept UETHDA's state shared taxes if required employer contributions are not

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Pension Liabilities

UETHDA's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2024, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37	14
Emerging market international equity	6.09	4
Private equity and strategic lending	6.57	20
U.S. fixed equity	1.20	20
Real estate	4.38	10
Short-term securities	3.00	1
		100%

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from UETHDA will be made at the ADC rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2023	\$ 19,898,499	\$ 19,663,407	\$ 235,092
Changes for the year			
Service cost	709,305	-	709,305
Interest	1,365,212	-	1,365,212
Expected vs. actual experience	715,127	-	715,127
Changes in assumptions	-	-	-
Contributions – employer	-	568,289	(568,289)
Contributions – employee	-	401,828	(401,828)
Net investment income	-	1,928,260	(1,928,260)
Benefit payments, including refunds	(764,882)	(764,882)	-
Administrative expense	-	(28,051)	28,051
Net changes	2,024,762	2,105,444	(80,682)
Balance at June 30, 2024	\$ 21,923,261	\$ 21,768,851	\$ 154,410

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of UETHDA calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Net pension liability (asset)	\$ 3,551,552	\$ 154,410	\$ (2,533,293)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense

For the year ended June 30, 2025, UETHDA recognized pension expense of \$681,558.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, UETHDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 601,604	\$ 89,662
Difference between projected and actual earnings on investments, net	-	228,262
Changes in assumptions	328,186	-
Contributions subsequent to the measurement date of June 30, 2024	592,975	-
	\$ 1,522,765	\$ 317,924

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” will be recognized as a reduction to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending		
2026	\$	248,323
2027		421,731
2028		60,815
2029		(119,003)
2030		-
Thereafter		-
	\$	611,866

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2025, UETHDA reported a payable of \$46,904 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2025.

Note 9 – Other Postemployment Benefits (OPEB) – Local Government Plan

General information about the OPEB Plan

Plan Description

Employees of UETHDA are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Benefits Provided

UETHDA offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO, or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. UETHDA does not directly subsidize and is only subject to the implicit subsidy for retirees. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At July 1, 2024, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees eligible for benefits	216
	<hr/>
	216
	<hr/>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2025, UETHDA paid \$1,024 to the LGOP for OPEB benefits as they became due.

Total OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%.
Healthcare cost trend rates	10.68% for pre-65 in 2024, decreasing annually over a 13-year period, to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over an 12-year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purposes of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS).

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled postretirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in the Total OPEB liability

Total OPEB liability – beginning balance	\$ 228,347
Changes for the year:	
Service cost	28,086
Interest	9,337
Difference between expected and actual experience	(16,050)
Changes in assumptions	27,544
Benefit payments	(1,235)
Net changes	47,682
Total OPEB liability – ending balance	<u>\$ 276,029</u>

Changes in Assumptions

The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and slight changes to the near-term health trend rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one-percent higher than the current discount rate.

	<u>Discount Rate Assumptions</u>		
	<u>1.00% Decrease</u> <u>(2.93%)</u>	<u>Current (3.93%)</u>	<u>1.00% Increase</u> <u>(4.93%)</u>
Total OPEB liability	<u>\$ 302,279</u>	<u>\$ 276,029</u>	<u>\$ 251,748</u>

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate

The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percent lower or one-percent higher than the current healthcare cost trend rate.

	Healthcare Cost Trend Rate Assumption		
	1% Decrease (5.60% decreasing to 3.50%)	Current (6.60% decreasing to 4.50%)	1.00% Increase (7.60% decreasing to 5.50%)
Total OPEB liability	\$ 241,821	\$ 276,029	\$ 316,435

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense

For the year ended June 30, 2025, UETHDA recognized OPEB expense of \$3,149.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2025, UETHDA reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 89,111
Changes in assumptions	77,849	70,005
Employer payments subsequent to the measurement date	1,024	-
	\$ 78,873	\$ 159,116

The amounts for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2026	\$ (33,916)
2027	(20,948)
2028	(19,362)
2029	(11,641)
2030	(706)
Thereafter	5,306

In the table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Upper East Tennessee Human Development Agency, Inc.

Notes To Financial Statements

June 30, 2025

Note 10 – Concentrations

Approximately 97% of UETHDA’s revenues consist of both direct federal grants and federal grants administered by departments of the State of Tennessee. Approximately 49% and 31% of revenues were Head Start and LIHEAP monies, respectively, received under a grant from the U.S. Department of Health and Human Services. The other 20% consists of monies received for UETHDA’s other programs from federal grants administered by the State of Tennessee.

Note 11 – In-Kind Revenues

UETHDA is required to obtain local support of the total cost of the Head Start program 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.

Note 12 – Delegate Expenditures

UETHDA delegates a portion of their federal Head Start program to two local school districts. Expenditures reported by the delegates for the year are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 1,334,776
Johnson County Board of Education	758,671
	\$ 2,093,447

Note 13 – 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.

Note 14 – New Accounting Standards

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

In September 2024, the GASB issued **Statement No. 104**, Disclosure of Certain Capital Assets. This statement requires certain information regarding capital assets to be presented by major class. Certain types of capital assets are to be disclosed separately in the capital assets note disclosures required by Statement No. 34. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.



Required Supplementary Information

Upper East Tennessee Human Development Agency, Inc.

Required Supplementary Information
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 Based on Participation in the Public Employee Pension Plan of
 TCRS and Related Notes
 Year Ended June 30, 2025

	Plan Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service cost	\$ 709,305	\$ 683,553	\$ 674,694	\$ 537,711	\$ 479,808	\$ 459,037	\$ 416,709	\$ 402,707	\$ 364,632	\$ 342,550
Interest	1,365,212	1,290,809	1,193,173	1,085,259	1,024,609	963,945	931,586	893,957	862,261	787,308
Expected vs. actual experience	715,127	(163,785)	261,036	(38,845)	(98,440)	(25,434)	(401,952)	(76,055)	(336,351)	338,444
Change of assumptions	-	-	-	1,640,926	-	-	-	228,294	-	-
Benefit payments, including refunds of employee contributions	(764,882)	(703,246)	(679,358)	(629,604)	(625,052)	(538,094)	(546,599)	(519,144)	(492,857)	(489,162)
Net change in total pension liability	2,024,762	1,107,331	1,449,545	2,595,447	780,925	859,454	399,744	929,759	397,685	979,140
Total pension liability – beginning	19,898,499	18,791,168	17,341,623	14,746,176	13,965,251	13,105,797	12,706,053	11,776,294	11,378,609	10,399,469
Total pension liability – ending	21,923,261	19,898,499	18,791,168	17,341,623	14,746,176	13,965,251	13,105,797	12,706,053	11,776,294	11,378,609
PLAN FIDUCIARY NET POSITION										
Contributions – employer	568,289	509,874	383,715	369,093	314,260	333,892	281,761	264,771	169,772	172,693
Contributions – employee	401,828	359,071	346,316	334,712	283,632	260,856	247,218	223,249	212,217	215,869
Net investment income (loss)	1,928,260	1,233,984	(726,846)	3,888,144	712,138	995,295	1,024,550	1,260,801	289,724	329,866
Benefit payments, including refunds of employee contributions	(764,882)	(703,246)	(679,358)	(629,604)	(625,052)	(538,094)	(546,599)	(519,144)	(492,857)	(489,162)
Administrative expenses	(28,051)	(22,350)	(23,694)	(22,889)	(18,885)	(20,260)	(20,279)	(15,304)	(15,605)	(10,790)
Other changes	-	-	-	-	-	-	-	-	14,638	-
Net change in plan fiduciary net position	2,105,444	1,377,333	(699,867)	3,939,456	666,093	1,031,689	986,651	1,214,373	177,889	218,476
Plan fiduciary net position – beginning	19,663,407	18,286,074	18,985,941	15,046,485	14,380,392	13,348,703	12,362,052	11,147,679	10,969,790	10,751,314
Plan fiduciary net position – ending	21,768,851	19,663,407	18,286,074	18,985,941	15,046,485	14,380,392	13,348,703	12,362,052	11,147,679	10,969,790
Net pension (asset) liability	\$ 154,410	\$ 235,092	\$ 505,094	\$ (1,644,318)	\$ (300,309)	\$ (415,141)	\$ (242,906)	\$ 344,001	\$ 628,615	\$ 408,819
Plan fiduciary net position as a percentage of total pension liability	99.30%	98.82%	97.31%	109.48%	102.04%	102.97%	101.85%	97.29%	94.66%	96.41%
Covered-employee payroll	\$ 7,970,381	\$ 7,181,326	\$ 6,926,262	\$ 6,662,310	\$ 5,672,576	\$ 5,217,056	\$ 4,751,456	\$ 4,464,928	\$ 4,244,291	\$ 4,317,321
Net pension (asset) liability as a percentage of covered-employee payroll	1.94%	3.27%	7.29%	-24.68%	-5.29%	-7.96%	-5.11%	7.70%	14.81%	9.47%

In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

Required Supplementary Information
Schedule of Contributions Based on Participation in the Public Employee
Pension Plan of TCRS
Year Ended June 30, 2025

Entity Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2025	\$ 592,975	\$ 592,975	\$ -	\$ 8,316,633	7.13%
2024	568,289	568,289	-	7,970,381	7.13%
2023	509,874	509,874	-	7,181,326	7.10%
2022	383,715	383,715	-	6,926,262	5.54%
2021	369,093	369,093	-	6,662,310	5.54%
2020	314,260	314,260	-	5,672,576	5.54%
2019	333,892	333,892	-	5,217,056	6.40%
2018	281,761	281,761	-	4,751,456	5.93%
2017	264,771	264,771	-	4,464,928	5.93%
2016	169,771	169,771	-	4,244,291	4.00%

The Notes to the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS is an integral part of this schedule.

Upper East Tennessee Human Development Agency, Inc.

Notes To the Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS

June 30, 2025

Note 1 – Valuation Date

Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023, actuarial valuation.

Note 2 – Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125%

Note 3 – Changes of Assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Upper East Tennessee Human Development Agency, Inc.

Exhibit 9

Required Supplementary Information
 Schedule of Changes in Total Other Postemployment Benefits Liability and Related
 Ratios and Related Notes
 Year Ended June 30, 2025

	Fiscal Year Ended							
	2025	2024	2023	2022	2021	2020	2019	2018
TOTAL OTHER POSTEMPLOYMENT BENEFIT LIABILITY								
Service cost	\$ 28,086	\$ 21,511	\$ 36,173	\$ 38,851	\$ 27,920	\$ 27,065	\$ 21,988	\$ 22,762
Interest	9,337	6,540	5,765	6,913	9,405	11,383	10,399	8,124
Expected vs. actual experience	(16,050)	(17,085)	(40,933)	(23,096)	(26,135)	(102,075)	(23,861)	-
Change of assumptions	27,544	55,289	(65,879)	(62,663)	25,875	19,077	11,643	(14,751)
Benefit payments	(1,235)	(2,240)	(3,001)	(3,504)	(2,732)	(2,904)	(2,921)	-
Net change in total pension liability	47,682	64,015	(67,875)	(43,499)	34,333	(47,454)	17,248	16,135
Total other postemployment benefit liability – beginning	228,347	164,332	232,207	275,706	241,373	288,827	271,579	255,444
Total other postemployment benefit liability – ending	<u>\$ 276,029</u>	<u>\$ 228,347</u>	<u>\$ 164,332</u>	<u>\$ 232,207</u>	<u>\$ 275,706</u>	<u>\$ 241,373</u>	<u>\$ 288,827</u>	<u>\$ 271,579</u>
Covered-employee payroll	<u>\$ 6,134,549</u>	<u>\$ 5,913,253</u>	<u>\$ 5,551,684</u>	<u>\$ 5,508,478</u>	<u>\$ 4,990,880</u>	<u>\$ 4,255,412</u>	<u>\$ 4,471,811</u>	<u>\$ 4,172,840</u>
Total other postemployment benefit liability as a percentage of covered-employee payroll	4.50%	3.86%	2.96%	4.22%	5.52%	5.67%	6.46%	6.51%

There are no assets accumulating, in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amount reported for each fiscal year was determined as of the prior fiscal year end.

This schedule is intended to show information for 10 years. Additional years will be included as they become available.



Other Information



Upper East Tennessee Human Development Agency, Inc.

Schedule Changes in Lease Obligations

For the Fiscal Year Ended June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding July 1, 2024	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding June 30, 2025
GOVERNMENTAL ACTIVITIES									
LEASES PAYABLE									
Payable through Special Revenue Fund:									
Bill McMurry	\$ 25,106	3.00 %	7/1/2021	6/30/2026	\$ 10,538	\$ -	\$ 5,154	\$ -	\$ 5,384
Carla Veath	47,465	3.00	5/1/2021	6/30/2026	20,369	-	9,964	-	10,405
Glen D. and Doris R. Hutchens, Sr.	501,892	3.00	4/1/2019	3/31/2029	346,368	-	61,760	-	284,608
Kingsport Housing and Redevelopment Agency	19,527	3.00	4/1/2016	6/30/2026	8,196	-	4,009	-	4,187
Marathon Realty Corporation	69,801	3.00	4/16/2021	6/30/2028	41,755	-	9,923	-	31,832
Mark C. Smith	47,423	3.00	11/1/2020	6/30/2026	19,905	-	9,736	-	10,169
Moore and Senter Company	55,791	3.00	7/1/2021	6/30/2026	23,418	-	11,454	-	11,964
Robin Sue Mallory	39,054	3.00	7/1/2021	6/30/2026	16,393	-	8,018	-	8,375
Wilson Franklin Hodges, Jr.	37,659	3.00	2/1/2018	6/30/2026	15,807	-	7,732	-	8,075
Wolfe Development	48,539	3.00	7/1/2021	6/30/2026	20,374	-	9,965	-	10,409
Total payable through the Special Revenue Fund					<u>\$ 523,123</u>	<u>\$ -</u>	<u>\$ 137,715</u>	<u>\$ -</u>	<u>\$ 385,408</u>



Compliance Section



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major governmental funds of the Upper East Tennessee Human Development Agency, Inc. (UETHDA), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise UETHDA's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on 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) 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 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 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 have not been identified.**

Report on 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 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 UETHDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
December 5, 2025

Upper East Tennessee Human Development Agency, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2025

A – Findings – Financial Statement Audit

None.

B – Findings – State of Tennessee

None.

Upper East Tennessee Human Development Agency, Inc.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2025

Financial Statement Audit

None.

State of Tennessee

None.

Upper East Tennessee Human Development Agency, Inc.

Compliance Audit Pursuant to
2 CFR Part 200
(Single Audit Report)

June 30, 2025

Upper East Tennessee Human Development Agency, Inc.

Table of Contents

Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on and Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*..... 1

Independent Auditor’s Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 6

Notes to the Schedule of Expenditures of Federal Awards..... 8

Schedule of Findings and Questioned Costs 9

Summary Schedule of Prior Audit Findings..... 10



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of Upper East Tennessee Human Development Agency, Inc. (the "Agency"), as of and for the year ended June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. **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 have not been identified.**

Report on Compliance and Other Matters

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee

December 5, 2025 (except for federal compliance information dated March 18, 2026)

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Program

We have audited Upper East Tennessee Human Development Agency, Inc.’s (the “Agency”) 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 the Agency’s major federal programs for the year ended June 30, 2025. The Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency 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, 2025.

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 Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 documentation of the Agency’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 Agency's federal programs.

Auditor's 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 the Agency'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 the Agency'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 risk 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 the Agency'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 the Agency'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 the Agency'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 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 Auditor’s 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 have not been 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Upper East Tennessee Human Development Agency, Inc. (the “Agency”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements. We issued our report thereon dated December 5, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
March 18, 2026

Upper East Tennessee Human Development Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grantor Agency Award Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
<i>Passed-Through Tennessee Department of Agriculture:</i>			
Food Distribution Cluster:			
Emergency Food Assistance Program (Administrative Costs)	10.568	94787	\$ 37
Total Food Distribution Cluster			<u>\$ 37</u>
<i>Passed-Through Tennessee Department of Human Services:</i>			
Child and Adult Care Food Program	10.558	03-47-55965-00-9	176,680
Child and Adult Care Food Program	10.558	03-47-55965-00-9	<u>188,620</u>
			<u>365,300</u>
Total U.S. Department of Agriculture			<u>365,337</u>
U.S. Department of Economic and Community Development:			
<i>Direct Grant:</i>			
Community Development Block Grant - Child Care Creation Program	14.228	CDBG-CV	<u>4,900</u>
			<u>4,900</u>
Total U.S. Department of Economic and Community Development			<u>4,900</u>
U.S. Department of Energy:			
<i>Passed-Through Tennessee Housing Development Agency:</i>			
Weatherization Assistance for Low-Income Persons	81.042	WAP-24-13	<u>319,182</u>
			<u>319,182</u>
Total U.S. Department of Energy			<u>319,182</u>
U.S. Department of Health and Human Services:			
<i>Passed-Through Tennessee Housing Development Agency:</i>			
Low-Income Home Energy Assistance Program	93.568	LIHEAP Wx-22-12	79,888
Low-Income Home Energy Assistance Program	93.568	LIHEAP Wx-23-31	147,768
Low-Income Home Energy Assistance Program	93.568	LIHEAP 24-19	2,227,899
Low-Income Home Energy Assistance Program	93.568	LIHEAP 25-19	5,129,922
Low-Income Home Energy Assistance Program	93.568	LIHEAP 24-19	<u>14,041</u>
			7,599,518
<i>Passed-Through Tennessee Department of Human Services:</i>			
Temporary Assistance for Needy Families (Families First Community)	93.558	76883	<u>591,183</u>
			591,183
Community Services Block Grant	93.569	Z23-49120	9,670
Community Services Block Grant	93.569	Z24-49120	481,032
Community Services Block Grant	93.569	Z25-49120	<u>838,268</u>
			1,328,970

Upper East Tennessee Human Development Agency, Inc.

Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Grantor Agency Award Number	Federal Expenditures
<i>Passed-Through Community Foundation of Middle Tennessee:</i>			
CCDF Cluster:			
Support and Enhancement Grant - Bluff City	93.575	N/A	3,985
Support and Enhancement Grant - Boones Creek	93.575	N/A	3,989
Support and Enhancement Grant - Carters Valley	93.575	N/A	3,994
Support and Enhancement Grant - Children First	93.575	N/A	5,000
Support and Enhancement Grant - Dobbins	93.575	N/A	4,000
Support and Enhancement Grant - Dunbar	93.575	N/A	4,000
Support and Enhancement Grant - Florida Avenue	93.575	N/A	3,994
Support and Enhancement Grant - Fugate Hill	93.575	N/A	3,964
Support and Enhancement Grant - George Clem	93.575	N/A	3,974
Support and Enhancement Grant - Grandview	93.575	N/A	4,000
Support and Enhancement Grant - Harmony	93.575	N/A	3,984
Support and Enhancement Grant - Indian Springs	93.575	N/A	4,000
Support and Enhancement Grant - Lake Terrace	93.575	N/A	4,000
Support and Enhancement Grant - Little Bucs	93.575	N/A	4,000
Support and Enhancement Grant - Miller Perry	93.575	N/A	4,000
Support and Enhancement Grant - Mooresburg	93.575	N/A	4,000
Support and Enhancement Grant - Sneedville	93.575	N/A	4,983
Support and Enhancement Grant - Sullivan	93.575	N/A	4,000
Support and Enhancement Grant - Surgoinsville	93.575	N/A	4,000
Support and Enhancement Grant - Unicoi/Erwin	93.575	N/A	3,953
Support and Enhancement Grant - Westview	93.575	N/A	3,995
 <i>Passed-Through Tennessee Department of Human Services:</i>			
Child Care Certificate Program	93.575	N/A	<u>232,313</u>
Total CCDF Cluster			318,128
 <i>Direct Grant:</i>			
Head Start Cluster:			
Head Start Full-Year, Part-Day (includes delegate expenses of \$-0-)	93.600	04CH010996/05	323,400
Head Start Full-Year, Part-Day (includes delegate expenses of \$2,093,447)	93.600	04CH010996/06	<u>11,814,602</u>
Total Head Start Cluster			<u>12,138,002</u>
Total U.S. Department of Health and Human Services			<u>21,975,801</u>
 Department of Homeland Security:			
<i>Direct Grant:</i>			
Emergency Food and Shelter	97.024	Various	<u>38,020</u>
			<u>38,020</u>
Total Department of Homeland Security			<u>38,020</u>
 Department of the Treasury:			
<i>Passed-Through Tennessee Housing Development Agency:</i>			
COVID-19 - Emergency Rental Assistance - Eviction Prevention Program	21.023	ERA-EEP-2023-33	708,852
COVID-19 - Emergency Rental Assistance - Eviction Prevention Program	21.023	ERA-EEP-2024-33	<u>491,304</u>
			<u>1,200,156</u>
Total Department of the Treasury			<u>1,200,156</u>
Total Federal Programs			<u><u>\$ 23,903,396</u></u>

Upper East Tennessee Human Development Agency, Inc.

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2025

Note 1 – Schedule of Expenditures of Federal Awards

The schedule of expenditures of federal awards includes the federal grant activity of Agency and is presented on the modified accrual basis of accounting. The information in this schedule 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. At June 30, 2025, Agency had no outstanding Federal loan balances requiring continuing disclosure.

Note 2 – De Minimis Indirect Cost Rate

Agency did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Agency 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 Agency 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, 2025, was 6.70%.

Note 3 – Delegate Agencies

Agency delegates a portion of their federal Head Start program to two local school districts. Expenditures reported by the delegates for the year ended June 30, 2025, are as follows:

Delegate Agency	Federal Head Start
Carter County Head Start	\$ 1,334,776
Johnson County Board of Education	758,671
	<u>\$ 2,093,447</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 Agency and delegate agencies as follows:

Delegates/Agency	04CH010996/06	Total
Carter County Head Start	\$ 292,105	\$ 292,105
Johnson County Board of Education	124,059	124,059
	416,164	416,164
Agency	2,440,243	2,440,243
Total Head Start in-kind	<u>\$ 2,856,407</u>	<u>\$ 2,856,407</u>

Upper East Tennessee Human Development Agency, Inc.

Schedule of Findings and Questioned Costs

June 30, 2025

Section A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no** audit findings relating to the major programs.
7. The program tested as major was:

Name of Program	Assistance Listing Number
COVID-19 – Emergency Rental Assistance Program	21.023
Temporary Assistance for Needy Families	93.558
Low-Income Home Energy Assistance Program	93.568
Community Services Block Grant	93.569

8. The threshold for distinguishing Type A and B programs was **\$750,000**.
9. The Agency was determined to be a **low-risk auditee**.

Section B – Findings – Financial Statement Audit

None.

Section C – Findings and Questioned Costs – Major Federal Award Program Audit

None.

Section D – Findings – State of Tennessee

None.

Upper East Tennessee Human Development Agency, Inc.

Summary Schedule of Prior Audit Findings

June 30, 2025

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Program Audit

None.

Findings – State of Tennessee

None.