

**CLINCH-POWELL RESOURCE CONSERVATION  
& DEVELOPMENT COUNCIL, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2023**

**CLINCH-POWELL RESOURCE CONSERVATION & DEVELOPMENT COUNCIL, INC.**  
**YEAR ENDED SEPTEMBER 30, 2023**

**CONTENTS**

|   | <u>Page</u> |
|---|-------------|
| Roster of Board of Directors and Executive Staff  | 1           |
| Independent Auditors' Report  | 2           |
| Financial Statements  |             |
| Consolidated Statement of Financial Position  | 5           |
| Consolidated Statement of Activities  | 6           |
| Consolidated Statement of Functional Expenses   | 7           |
| Consolidated Statement of Cash Flows  | 8           |
| Notes to Financial Statements   | 9           |
| Schedule of Expenditures of Federal and Non-Federal Awards  | 19          |
| Notes to the Schedule of Expenditures of Federal and Non-Federal Awards   | 21          |
| Independent Auditors' Report on Internal Control Over Financial Reporting and<br>On Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 22          |
| Independent Auditor's Report on Compliance for Each Major Program and on<br>Internal Control Over Compliance Required by Uniform Guidance   | 24          |
| Schedule of Findings and Questioned Costs   | 26          |
| Schedule of Prior Year Audit Findings   | 27          |

**CLINCH-POWELL RESOURCE CONSERVATION & DEVELOPMENT COUNCIL, INC.  
YEAR ENDED SEPTEMBER 30, 2023**

**ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF  
AS OF SEPTEMBER 30, 2023**

**BOARD OF DIRECTORS**

|                   |                     |
|-------------------|---------------------|
| John Vasquez      | Chairperson         |
| Cody Brown        | Secretary/Treasurer |
| Roberta Jeanquart | Vice Chairperson    |
| Cherry Acuff      | Board Member        |
| Nancy Barker      | Board Member        |
| Gloria Brooke Lee | Board Member        |
| David Lietzke     | Board Member        |
| Sheldon Livesay   | Board Member        |
| Stewart Oakes     | Board Member        |
| Floyd "Bill" Rhea | Board Member        |
| Robert Ripley     | Board Member        |
| Steve Roark       | Board Member        |
| Barbie Dyer       | Board Member        |
| Kaissen Carr      | Board Member        |

**EXECUTIVE STAFF**

|              |                      |
|--------------|----------------------|
| Lindy Turner | Executive Director   |
| Sara Knight  | Financial Supervisor |



**THE BAIRD**  
AUDIT GROUP, LLC

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Clinch-Powell Resource Conservation &  
Development Council, Inc.  
Rutledge, Tennessee

**Report on Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Clinch-Powell Resource Conservation & Development Council, Inc., a non-profit organization, and its wholly owned for profit subsidiary Clinch Powell Construction Company, which comprise the consolidated statement of financial position as of September 30, 2023, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Clinch-Powell Resource Conservation & Development Council, Inc. as of September 30, 2023, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clinch-Powell Resource Conservation & Development Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Clinch-Powell Resource Conservation & Development Council, Inc's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 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 Clinch-Powell Resource Conservation & Development Council, Inc.'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 Clinch-Powell Resource Conservation & Development Council Inc.'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the 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 financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2024, on our consideration of Clinch-Powell Resource Conservation & Development Council, Inc.'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 Clinch-Powell Resource Conservation & Development Council, Inc.'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 Clinch-Powell Resource Conservation & Development Council, Inc.'s internal control over financial reporting and compliance.

*Baird Audit Group, LLC*

The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, GA  
February 15, 2024

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

ASSETS

|  |                  |
|--|------------------|
| Cash and Cash Equivalents                    | \$ 2,702,392     |
| Grants Receivable                            | 463,111          |
| Other Receivables                            | 110,582          |
| Prepaid Expenses                             | 1,469            |
| Inventory                                    | -                |
| Loans Receivable, Net                        | 816,299          |
| Property and Equipment, Net                  | 2,144,456        |
| Land and Development Costs                   | 1,708,194        |
| Deposits                                     | 1,205            |
| Beneficial Interest in Assets Held by Others | 184,501          |
| <br>TOTAL ASSETS                             | <br>\$ 8,132,209 |

LIABILITIES AND NET ASSETS

|                                       |                  |
|---------------------------------------|------------------|
| Line of Credit                        | \$ -             |
| Accounts Payable                      | 50,977           |
| Accrued Payroll Expenses and Taxes    | 82,274           |
| Other Current Liabilities             | 21,687           |
| Easement Contract Liabilities         | 12,771           |
| Refundable Advances                   | 102,977          |
| Long Term Debt                        | 705,491          |
| <br>TOTAL LIABILITIES                 | <br>976,177      |
| <br>NET ASSETS                        |                  |
| Net Assets Without Donor Restrictions | 6,278,865        |
| Net Assets With Donor Restrictions    | 877,167          |
| <br>TOTAL NET ASSETS                  | <br>7,156,032    |
| <br>TOTAL LIABILITIES AND NET ASSETS  | <br>\$ 8,132,209 |

The notes to the financial statements are an integral part of this statement.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>            |
|--|---------------------------------------|------------------------------------|-------------------------|
| <b>SUPPORT AND REVENUE</b>                   |                                       |                                    |                         |
| Contributions                                | \$ 17,171                             | 26,658                             | \$ 43,829               |
| Grant Income                                 | -                                     | 1,965,036                          | 1,965,036               |
| In-Kind Contributions                        | 796,769                               | -                                  | 796,769                 |
| Fees for Services                            | 439,592                               | -                                  | 439,592                 |
| Rent   | 189,642                               | -                                  | 189,642                 |
| Store and Other Sales                        | -                                     | -                                  | -                       |
| Interest and Dividend Income                 | 7,107                                 | 3,899                              | 11,006                  |
| Home Program Sales Proceeds                  | 1,738,810                             | 377,286                            | 2,116,096               |
| Change in Beneficial Interest                | 17,690                                | -                                  | 17,690                  |
| Gain (loss) on disposal of fixed assets      | (20,593)                              | -                                  | (20,593)                |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b> |                                       |                                    |                         |
| Satisfaction of Program Restrictions         | <u>2,370,909</u>                      | <u>(2,370,909)</u>                 | <u>-</u>                |
| <br>Total Support and Revenue                | <br><u>5,557,097</u>                  | <br><u>1,970</u>                   | <br><u>5,559,067</u>    |
| <b>EXPENSES AND LOSSES</b>                   |                                       |                                    |                         |
| Program                                      | 4,745,728                             | -                                  | 4,745,728               |
| Management and General                       | 365,854                               | -                                  | 365,854                 |
| Fund Raising                                 | <u>365</u>                            | <u>-</u>                           | <u>365</u>              |
| <br>Total Expenses                           | <br>5,111,947                         | <br>-                              | <br>5,111,947           |
| <br>CHANGE IN NET ASSETS                     | <br>445,150                           | <br>1,970                          | <br>447,120             |
| <br>NET ASSETS, beginning of year            | <br><u>5,833,715</u>                  | <br><u>875,197</u>                 | <br><u>6,708,912</u>    |
| <br>NET ASSETS, end of year                  | <br><u>\$ 6,278,865</u>               | <br><u>\$ 877,167</u>              | <br><u>\$ 7,156,032</u> |

The notes to the financial statements are an integral part of this statement.



**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

|                                      | Program<br>Services | Supporting Services     |                 | Total               |
|--------------------------------------|---------------------|-------------------------|-----------------|---------------------|
|                                      |                     | Management<br>& General | Fund<br>Raising |                     |
| Salaries, Benefits and Payroll Taxes | \$ 1,394,877        | \$ 228,557              | \$ -            | \$ 1,623,434        |
| Construction Costs                   | 4,415,546           | -                       | -               | 4,415,546           |
| Contract Services                    | 612,036             | -                       | -               | 612,036             |
| Supplies and Materials               | 246,064             | 16,964                  | 365             | 263,393             |
| Cost of Store and Restaurant Sales   | -                   | -                       | -               | -                   |
| Maintenance                          | 91,913              | 21,518                  | -               | 113,431             |
| Insurance                            | 20,215              | 55,265                  | -               | 75,480              |
| Landowner Payments                   | 54,211              | -                       | -               | 54,211              |
| Utilities and Phone                  | 24,197              | 10,264                  | -               | 34,461              |
| Other Expenses                       | 30,980              | 1,883                   | -               | 32,863              |
| Travel                               | 19,505              | 4,317                   | -               | 23,822              |
| Professional Fees                    | -                   | 11,000                  | -               | 11,000              |
| Donations and Grants                 | 57,114              | -                       | -               | 57,114              |
| Promotional                          | 3,548               | -                       | -               | 3,548               |
| Printing and Copying                 | 2,904               | 2,528                   | -               | 5,432               |
| Rent                                 | 4,800               | -                       | -               | 4,800               |
| Dues and Subscriptions               | -                   | 2,982                   | -               | 2,982               |
| Interest                             | -                   | 473                     | -               | 473                 |
| Meetings                             | 2,468               | 2,367                   | -               | 4,835               |
| Postage                              | 189                 | 1,313                   | -               | 1,502               |
| Bad Debt Expense                     | 2,440               | -                       | -               | 2,440               |
| Less: Capitalized Costs              | <u>(2,304,803)</u>  | <u>-</u>                | <u>-</u>        | <u>(2,304,803)</u>  |
| Total Expenses before Depreciation   | <u>4,678,204</u>    | <u>359,431</u>          | <u>365</u>      | <u>5,038,000</u>    |
| Depreciation                         | <u>67,524</u>       | <u>6,423</u>            | <u>-</u>        | <u>73,947</u>       |
|                                      | <u>\$ 4,745,728</u> | <u>\$ 365,854</u>       | <u>\$ 365</u>   | <u>\$ 5,111,947</u> |

The notes to the financial statements are an integral part of this statement.

**CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

|   |    |           |
|---|----|-----------|
| Change in net assets  | \$ | 447,120   |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |    |           |
| Depreciation expense  |    | 73,947    |
| Gain on disposition   |    |           |
| Change in allowance related to loans receivable   |    | -         |
| (Increase) decrease in assets:  |    |           |
| Grants receivable   |    | 48,157    |
| Other receivables   |    | (30,353)  |
| Refundable advances   |    | 63,441    |
| Prepaid expenses  |    | 9,159     |
| Inventory   |    | -         |
| Land and development costs  |    | (215,121) |
| Deposits  |    | 1,615     |
| Beneficial interest in assets held by others  |    | (27,332)  |
| Increase (decrease) in liabilities:   |    |           |
| Accounts payable  |    | (3,435)   |
| Accrued payroll   |    | 7,796     |
| Other liabilities   |    | 3,408     |

CASH PROVIDED BY OPERATING ACTIVITIES 378,402

CASH FLOWS FROM INVESTING ACTIVITIES

|                                    |  |                 |
|------------------------------------|--|-----------------|
| Cash from sale of of fixed assets  |  | 276,893         |
| Receipts from collections of loans |  | -               |
| Disbursements for loans made       |  | <u>(22,770)</u> |

CASH PROVIDED BY INVESTING ACTIVITIES 254,123

CASH FLOWS FROM FINANCING ACTIVITIES

|                                      |  |                 |
|--------------------------------------|--|-----------------|
| Easement contract payments           |  | (6,422)         |
| Payments on line of credit           |  | (100,006)       |
| Principal payments on long term debt |  | <u>(42,399)</u> |

CASH USED BY FINANCING ACTIVITIES (148,827)

NET INCREASE IN CASH 483,698

CASH AT BEGINNING OF YEAR 2,218,714

CASH AT END OF YEAR \$ 2,702,392

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

|          |  |                      |
|----------|--|----------------------|
| Interest |  | <u><u>\$ 473</u></u> |
|----------|--|----------------------|

The notes to the financial statements are an integral part of this statement.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

The Clinch-Powell Resource Conservation & Development Council, Inc. (the Council) was incorporated under the laws of the State of Tennessee in 1989 as a nonprofit corporation. The Council’s purposes are to build strong communities, care for people, and protect natural resources in East Tennessee and surrounding areas. The Council works primarily in the Appalachian areas of Tennessee. The Council is a Community Housing Development Organization (CHDO) and holds a Tennessee license for mortgage origination. The Council is a HUD approved counseling agency and maintains certified housing counselors to provide services.

The Council submitted proposals and was awarded federal grants to construct houses for low to moderate income families. The housing program provides home ownership education and housing counseling, increases the supply of affordable housing, assists with upfront home ownership costs, matches homeowners with the best financing available and assists existing homeowners with renovation and repairs for safe, sanitary housing.

The Council was awarded federal grants through the State of Tennessee to purchase and renovate foreclosed properties in specified areas. These have been renovated and are available for rent.

The Council operates a large AmeriCorps program called Appalachia CARES under a federal grant in partnership with various community-based groups and public agencies. Appalachia CARES is a service-learning program that engages AmeriCorps members in direct service with agencies in primarily low income, rural communities.

Through its Clinch-Powell Watershed Alliance, the Council works with landowners to protect and repair farmland and the watershed. By identifying conservation threats and stressors and designing and implementing best management practices to correct problem areas, pollution is abated, habitats are created, and lands are restored.

The Council works to improve the economic vitality of the region by providing counseling and assistance in small business development as well as small business loans and grants to qualifying organizations and individuals.

The Council maintains an administrative office in Rutledge, Tennessee, and is under the authority of a non-compensated Board of Directors whose members represent the region. The Council is primarily funded by grants and by fees for providing services related to affordable housing, environmental conservation and historic preservation.

Basis of Accounting – Accounting principles generally accepted in the United States of America require financial statements to be presented on the accrual basis of accounting. The financial statements and accounting records are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Consolidation – The consolidated financial statements of the Council include its wholly owned taxable subsidiary – Clinch-Powell Construction Company, Inc. (CPCC). CPCC was formed to facilitate the Clinch-Powell Home Team building projects and to reduce insurance costs. All significant inter-company accounts and transactions have been eliminated in consolidation. The effects on the Council’s financial statements as a result of the consolidation are as follows:

|                            |                            |
|----------------------------|----------------------------|
| Increase in Assets         | \$18,853                   |
| Decrease in Liabilities    | <u>57,911</u>              |
| <br>Increase in Net Assets | <br><u><u>\$76,764</u></u> |

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation – The Council is required to report information regarding its financial position and activities according to two classes of net assets: with donor restricted net assets and without donor restricted net assets.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Council considers all highly liquid investments with an initial maturity of three months or less and certificates of deposit to be cash equivalents.

Property and Equipment – Donations of property and equipment are reported as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Council reclassifies restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from three to thirty-nine years. The cost of maintenance and repairs is expensed as incurred. Significant renewals and betterments are capitalized.

Purchased property is recorded at historical cost and capitalized if cost is material and life is over one year. Upon dissolution of the Council, assets purchased with grant funds would revert to the grantor. Assets purchased with Council funds would be transferred to another non-profit organization with a similar purpose in accordance with state guidelines.

Net Assets – The Council reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions. All restricted contributions and investment income, in which the restrictions are met in the same reporting period as the donations are received, are reported as income without donor restrictions, unless a donor or law temporarily or permanently restricts their use. Federal grant awards are classified as refundable advances until expended for the purposes of the grants. Endowment contributions and investments are restricted. Investment earnings available for distribution are recorded in net assets without donor restrictions.

Donated Services – Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council.

Functional Expenses – Directly identifiable expenses are charged to programs for the year ended September 30, 2023 as supporting services. A provisional indirect cost agreement to use 13.80% of direct costs for federal grant reporting for the period ending September 30, 2023 has been approved.

Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual assets could differ from those estimates.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

Income Tax Status – The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Council has been classified as an exempt organization under Section 509(a)(1) that is not a private foundation. The Council’s wholly owned for profit subsidiary, Clinch-Powell Construction Company, Inc. (CPCC) is a taxable entity and it, therefore, is subject to federal and state income taxes. CPCC files a separate income tax return. There was no current income tax expense for the year ended September 30, 2023. Deferred income taxes are provided for the temporary differences between financial reporting basis and the tax basis of CPCC’s assets and liabilities. Differences are primarily attributable to net operating loss carryforwards. There were no deferred tax assets or liabilities at September 30, 2023. The Council and CPCC adopted the authoritative guidance for the uncertainty in income taxes recognized in an entity’s financial statements a prescribe a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Council and CPCC performed an evaluation of uncertain tax positions for the year ended September 30, 2023 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on their tax exempt status. As of September 30, 2023, the Council and CPCC are generally not subject to U.S. Federal or State income tax examinations by tax authorities for the years before 2019. It is the county and CPCC’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of September 30, 2023, the Council and CPCC had no accruals for interest and/or penalties.

Loans and Other Receivables – Interest income, if any, is recognized when earned in accordance with the accrual basis of accounting and the terms of the loan. Receivables are determined to be past due based on contractual terms. Past due balances are reviewed periodically and written off when determined to be uncollectable. Factors influencing management’s judgment of collectability include historical losses and existing economic conditions. Loans are placed on nonaccrual when collection of interest is doubtful.

Interest income on nonaccrual loans is recognized only to the extent of cash payments received. Loans may contain provisions under which a portion of the note is forgivable if certain conditions are met. The forgivable portion is included in the allowance for loan losses.

Real Estate Sales – Revenue from real estate sales is recognized using the full accrual method. Under the full accrual method, the entire gain on the sale is recognized at the date of the sale.

Land Development Costs – Costs that are clearly related to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, acquisition costs are allocated based on their relative fair value before development, and development costs are allocated based on their relative sales value. Interest costs, if any, are capitalized while development is in progress.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expense for the year ended September 30, 2023, was \$3,548.

Note 2 – Cash and Cash Equivalents

The Council has various bank accounts with local financial institutions that at times result in a concentration of credit risk. The risk involved is the event of nonperformance by the financial institution. The Council had cash deposits in financial institutions in excess of the amounts insured by the Federal Depository Insurance Corporation at September 30, 2023, of approximately \$2,702,392 collateralized by FNMA and other securities held under a safekeeping pledge agreement for the benefit of the Council by an independent bank.

Certain cash balances are restricted for specific purposes as discussed in Note 11. A Certificate of Deposit is pledged as collateral as discussed in Note 10.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 3 – Other Receivables

Other receivables, primarily service fee income, are considered fully collectible. No interest accrual is considered necessary for grants or other receivables. Collateral is not available or requested.

Note 4 – Loans Receivable

The Council provides low or no-interest loans to other entities and individuals under various loan programs. If the low interest rate is not mandated under government grants, and if it is below market, the value of the below market loans is estimated using discounted cash flow analysis based on current market interest rates for loans of this type. Loans are due over terms of five to thirty years. Loans are stated at unpaid principal balances, less an allowance for forgivable and uncollectible portions, and unearned discounts.

There were no changes in the Council’s accounting policies during the year. There have been no purchases, sales, or reclassifications of financing receivables. The Allowance for Forgivable and Uncollectible Loans decreased by \$259,673 during the year ended September 30, 2023. The Council individually review each loan balance to estimate the portion, if any, of the balance that will not be collected.

Interest continues to accrue until loans are determined to be doubtful and included in the Allowance. Unpaid interest is added to the principal balance. Forgivable or otherwise uncollectible loans are considered to be impaired. Interest income is only recognized on these loans when actually received from the borrower. No interest was received on impaired loans during the year ended September 30, 2023. As of September 30, 2023, there was one loan receivable more than 90 days delinquent in the amount of \$3,481.

Net assets with donor restrictions include loans and cash proceeds required to be used only to provide additional loans.

|                            | <u>Unpaid Principal</u> | <u>Allowance for<br/>Forgivable and<br/>Uncollectible<br/>Portion</u> | <u>Discount</u> | <u>Net</u>        |
|----------------------------|-------------------------|---|-----------------|-------------------|
| New Start Loans            | \$ 705,491              | \$ -  | \$ -            | \$ 705,491        |
| Home Loans                 | 122,507                 | 122,507   | -               | -                 |
| Small Business Development |                         |   |                 |                   |
| Loan Fund                  | 36,900                  |   | -               | 36,900            |
| Loan to TaCL               | 43,529                  |   |                 | 43,529            |
| Housing Loans              | <u>167,545</u>          | <u>137,166</u>  | <u>-</u>        | <u>30,379</u>     |
| Total Loans Receivable     | <u>\$ 1,075,972</u>     | <u>\$ 259,673</u>   | <u>\$ -</u>     | <u>\$ 816,299</u> |

New Start loans are collateralized by a deed of trust that has been assigned to THDA as discussed in Note 10.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 5 – Property and Equipment

Cost of Buildings and Land include approximately \$2,637,823 in residential rental property. Related Accumulated Depreciation totals approximately \$731,929. These properties were acquired primarily with Federal and State funds and are required to be held for rent to eligible families for periods from 10 to 15 years. The Tennessee Housing Development Agency holds a rental deed of trust against certain properties that require repayment of the grant funds in the event of default.

|                                |               |
|--------------------------------|---------------|
| Buildings                      | \$ 2,671,764  |
| Leasehold Improvements         | 25,502        |
| Land                           | 227,543       |
| Land Improvements              | -             |
| Computers and Equipment        | 23,449        |
| Construction in Process        | 68,117        |
| Vehicles                       | 18,388        |
| <br>Total                      | <br>3,034,763 |
| Less: Accumulated Depreciation | (890,307)     |
| Net Book Value                 | \$ 2,144,456  |

Note 6 – Fair Value Measurement

The Council's investments are reported at fair value in the accompanying statement of financial position.

|  | Fair Value Measurement Using:  |   |  |
|--|--|---|--|
|  | Quoted Prices In<br>Active Markets<br>for Identical<br>Assets<br>Fair Value<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Beneficial Interest in Assets<br>(See Note #7) | \$ 184,501   | \$ 139,454  | \$ -   |
|  |  |   |  |

The Fair Value Measurements Top of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; and Level 3 inputs have the lowest priority. The Council uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Council measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs include quoted prices for similar assets in active markets, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 6 – Fair Value Measurement (continued)

A portion of the Beneficial Interest in Assets is not actively traded and significant other observable inputs are not available and are therefore considered a Level 3 input. The fair value of Beneficial Interest in Assets is equal to the value reported by the trustee.

Gains and losses (realized and unrealized) included in the activities for the year ended September 30, 2023, are reported in Change in Beneficial Interest.

Components of the Change in Beneficial Interest are:

|   | Level 1           | Level 3          | Total             |
|---|-------------------|------------------|-------------------|
| Fair Value at September 30, 2022        | \$ 112,122        | \$ 45,047        | \$ 157,169        |
| Investment Income                       | 1,708             | -                | 1,708             |
| Net Realized and Unrealized Gain (Loss) | 18,315            | -                | 18,315            |
| Fees                                    | (2,333)           | -                | (2,333)           |
| Transfers/ Distributions                | 9,642             | -                | 9,642             |
| Change in Beneficial Interest in Net    |                   |                  |                   |
| Assets Held by Others                   | 27,332            | -                | 27,332            |
| Fair Value at September 30, 2023        | <u>\$ 139,454</u> | <u>\$ 45,047</u> | <u>\$ 184,501</u> |

Note 7 – Beneficial Interest in Funds Held by Others

The Council has an agreement with the East Tennessee Foundation (ETF), an unrelated tax-exempt community foundation, to manage an endowment fund. The initial contributions to the Fund are to be invested in perpetuity with investment income (to be determined using a spending rate set by ETF) to be distributed annually to the Council for unrestricted purposes.

The funds held at ETF are legally owned by that organization. The ETF Board of Directors has the power to modify the agreement which directs that investment income be distributed to the Council if, in the sole judgment of the ETF Board, such restriction or condition becomes unnecessary, undesirable, impractical, incapable of fulfillment, or inconsistent with the charitable needs of the community served.

The Council's endowment fund is held in the ETF's Long Term Comingled Fund, which is invested to maintain or increase the real value of the endowment principal and its distributions over the long term. Distributions from ETF's in the endowment fund are based on a total return concept and are made according to a current annual spending rate of 45% of a twelve-quarter rolling average.

Donor-designated Endowments – after implementation of FASB ASC 958-205 – The Council's endowment consists of donor-restricted funds held by the ETF, the income from which is available to support the Council. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Council has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted



**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 7 – Beneficial Interest in Funda Held by Others (continued)

endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as net assets with donor restrictions (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) donor required matching additions from the Council’s unrestricted funds, and (d) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets is classified as net assets without donor restrictions.

Note 8 – Land and Development Costs

Land and Development Costs include costs incurred to buy land and construct properties related to the Clinch-Powell Home Team Project.

|   |                            |
|---|----------------------------|
| Persia Woods - Land and Development Costs   | \$ 26,538                  |
| Pleasant Ridge - Land and Development Costs | 180,291                    |
| Misty Meadow - Land and Development Costs   | 70,997                     |
| Joppa Area - Land and Development Costs     | 443,494                    |
| Other - Housing Projects                    | <u>986,874</u>             |
| Total                                       | <u><u>\$ 1,708,194</u></u> |

Note 9 – Easement Contract Liabilities

The Council has acquired conservation easements protecting a total of approximately 140 acres at a cost of \$165,000 payable over 10 to 20 years with no interest. Payments under these contracts totaled \$6,422 during the year ended September 30, 2023. Future annual minimum payments total \$12,771. The contracts have remaining terms of 3 to 6 years.

Note 10 – Long Term Debt

Long Term Debt

|   |                          |
|---|--------------------------|
| Tennessee Housing Development Agency New Start Program mortgages receivable purchased from the Council, with recourse, payable in monthly installments of over 30 years, without interest, collateralized by assignment of a deed of trust held by the Council. | <u><u>\$ 705,491</u></u> |
|---|--------------------------|

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 10 – Long Term Debt (continued)

Principal payments are as follows:

|                           |                              |
|---------------------------|------------------------------|
| Year Ending September 30, |                              |
| 2023                      | \$ 41,672                    |
| 2024                      | 41,672                       |
| 2025                      | 41,672                       |
| 2026                      | 41,672                       |
| 2027                      | 41,672                       |
| Thereafter                | <u>497,131</u>               |
| <br>Total                 | <br><u><u>\$ 705,491</u></u> |

Note 11 – Donor Restricted Net Assets

Donor Restricted Net Assets consist of endowment assets, loans receivable and rental property and are available for the following purposes or time periods as of September 30, 2023.

|                                      |                          |
|--------------------------------------|--------------------------|
| Rutledge Presbyterian Church & funds | \$ 55,837                |
| Rental Property                      | 575,774                  |
| Henderson Chapel                     | 4,288                    |
| Grant Loans and Interest             | 56,767                   |
| Endowment                            | <u>184,501</u>           |
|                                      | <u><u>\$ 877,167</u></u> |

Note 12 – Donated Services and Materials

The Council receives donated materials from various supporters and donated services from a variety of unpaid volunteers assisting the Council in the program activities. The majority of these services are related to the Appalachia CARES AmeriCorps program where the services of certified teachers and community professionals work with members and students in a volunteer role to implement this program. During the year ended September 30, 2023, the value of the items totaling \$796,769 were included in contributions and expense in the accompanying financial statements.

Additional donated services were received that did not satisfy the criteria specified by the FASB Accounting Standards Codification (FASB ASC 958-605-50-1). These services include environmental beautification; work at environmental camps and seminars as well as preparation for facilitating programs.

Note 13 – Retirement Plan

The Council maintains a SIMPLE retirement plan and matches up to 3% of each eligible employee's compensation. During the year ended September 30, 2023, the Council contributed approximately \$18,937.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 14 – Leases

The Council occupies a building with rental payments of \$400 per month. The lease began in 1995 and remains available to the Council at their discretion on a month-to-month basis. The Council is required to provide “upkeep” to the building while taxes and insurance are paid by the owners. There was no maintenance expense during the current year related to this building. The current year rental expense was \$4,800.

Note 15 – Fund Raising Costs

The majority of the Council’s support is received through grants. The individuals responsible for submitting grant requests are not employees of the Council, they are volunteers. The Council had \$365 in fund raising costs for the year ended September 30, 2023.

Note 16 – Concentration of Risk

The Council receives a significant portion of its support from federal grants. A substantial reduction in support, should it occur, would have a significant effect on the activities and programs. Financial instruments that potentially subject the Council to credit risk are Loans Receivable, primarily from low-income families in the East Tennessee area. These loans are generally made to build, repair, or obtain homes, and collateralized by a lien on the property.

Note 17 – Subsequent Events

The Council has evaluated subsequent events for potential recognition and/or disclosure in the September 30, 2023 financial statements through February 15, 2024, the date that the financial statements were available to be issued.

Note 18 – Information Regarding Availability and Liquidity

The Council strives to maintain liquid financial assets sufficient to cover 120 days of general expenditures. Financial assets in excess of daily cash requirements may be invested in interest bearing accounts, certificates of deposit, money market funds and other short-term investments.

The following table reflects the Council’s financial assets as of September 30, 2023. The organization expects to meet all donor restrictions other than those restricted in HOME houses and expects to meet all other donor restrictions and spend those restricted amounts on hand during the current period.

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 18 – Information Regarding Availability and Liquidity (continued)

|   |  |
|---|--|
| Financial Assets at Year End  |  |
| Cash and Cash Equivalents   | \$ 2,702,392                           |
| Accounts Receivable   | 110,582                                |
| Grants Receivable   | <u>463,111</u>                         |
| <br>Total Financial Assets  | <br>3,276,085                          |
| <br>Less amounts not available to<br>to be used within one year                               | <br><br><u>877,167</u>                 |
| <br>Financial assets available to meet general<br>expenditures over the next twelve<br>months | <br><br><br><u><u>\$ 2,398,918</u></u> |

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| Federal Grantor/<br>Pass Thru Grantor/<br>Program Title              | Assistance<br>Listing<br>Number | Grant<br>Number           | Accrued or<br>(Deferred)<br>Expenditures<br>at 9/30/22 | Federal<br>Expenditures<br>Received<br>from Grantors | Federal<br>Expenditures<br>Eamed | Accrued or<br>(Deferred)<br>Expenditures<br>at 9/30/23 |
|--|---------------------------------|---------------------------|--|--|----------------------------------|--|
| <b>U.S. Dept of Housig &amp; Urban Development</b>                   |                                 |                           |  |  |                                  |  |
| <b>Comprehensive Housing</b>   |                                 |                           |  |  |                                  |  |
| Comprehensive Housing Counseling 21-22                               | 14.168                          | HC20-0421011              | -  | 36,853   | 36,853                           | -  |
| Comprehensive Housing Counseling 20-21                               | 14.168                          | HC21-0421006              | 35,146   | 35,146   | -                                | -  |
| Passed through Tennessee Housing Development Agency:                 |                                 |                           |  |  |                                  |  |
| HOME 2017  | 14.239                          | HMCH-17-01-OP             | 22,659   | 22,659   | -                                | -  |
| HOME 2018  | 14.239                          | HMCH-18-01-OP             | 28,644   | -  | (28)                             | 28,616   |
| HOME 2019  | 14.239                          | HMCH-19-01-OP             | 26,107   | 535,731  | 509,624                          | -  |
| HOME Operating   | 14.239                          | HMCH-SOA-20-01            | 36,661   | 125,000  | 88,339                           | -  |
| Emergency Solutions Grant Program (ESG-CV) 2020-Part 2               | 14.231                          | ESG-CV2-10                | 2,606  | 26,184   | 23,578                           | -  |
| Total U.S. Dept of Housing & Urban Development                       |                                 |                           | <u>151,823</u>   | <u>781,573</u>                                       | <u>658,366</u>                   | <u>28,616</u>  |
| <b>Environmental Protection Agency</b>                               |                                 |                           |  |  |                                  |  |
| Passed through TN Dept of Agriculture                                |                                 |                           |  |  |                                  |  |
| 319 Clinch BMP   | 66.460                          | 32501-03721               | 6,511  | 11,400   | 7,182                            | 2,293  |
| Total Environmental Protection Agency                                |                                 |                           | <u>6,511</u>   | <u>11,400</u>  | <u>7,182</u>                     | <u>2,293</u>   |
| <b>US Fish &amp; Wildlife erVICES</b>                                |                                 |                           |  |  |                                  |  |
| <b>Best Management Practices</b>                                     |                                 |                           |  |  |                                  |  |
|  | 15.631                          | F21AC01802-00             | 22,758   | 48,349   | 51,783                           | 26,192   |
|  |                                 |                           | <u>22,758</u>  | <u>48,349</u>  | <u>51,783</u>                    | <u>26,192</u>  |
| <b>US Department of Agriculture Rural Development</b>                |                                 |                           |  |  |                                  |  |
| <b>HPG Home Repair</b>   |                                 |                           |  |  |                                  |  |
|  | 10.433                          | FY 2022 HPG Clinch Powell | -  | -  | 84,644                           | 84,644   |
|  |                                 |                           | <u>-</u>   | <u>-</u>   | <u>84,644</u>                    | <u>84,644</u>  |
| <b>U.S. Dept of Treasury</b>   |                                 |                           |  |  |                                  |  |
| Passed through TN Housing Development Agency                         |                                 |                           |  |  |                                  |  |
| Rent Relief  | 21.026                          | CVRR-22-01                | -  | 6,000  | -                                | (6,000)  |
| Homeowners Assistance Fund   | 21.026                          | HAF                       | -  | 259,100  | 265,100                          | 6,000  |
| Housing Stability Counseling Program                                 | 99.U19                          | 75908                     | -  | 22,807   | 22,807                           | -  |
| Total US Dept of Treasury  |                                 |                           | <u>-</u>   | <u>287,907</u>                                       | <u>287,907</u>                   | <u>-</u>   |
| <b>The Corporation for National and Community Service-AmeriCorps</b> |                                 |                           |  |  |                                  |  |
| Passed through the Volunteer TN                                      |                                 |                           |  |  |                                  |  |
| AppalachiaCares - 2023-2024  | 94.006                          | 75908                     | -  | -  | 74,827                           | 74,827   |
| AppalachiaCares - 2022-2023  | 94.006                          | 75908                     | 47,715   | 374,981  | 467,256                          | 139,990  |
| AppalachiaCares - 2021-2022 ARP Match                                | 94.006                          | 75908                     | 26,884   | 32,512   | 5,628                            | -  |
| AppalachiaCares - 2021-2022  | 94.006                          | 75908                     | 159,904  | 194,054  | 34,150                           | -  |
| Total Corporation for National and Community Service-AmeriCorps      |                                 |                           | <u>234,503</u>   | <u>601,547</u>                                       | <u>581,861</u>                   | <u>214,817</u>   |
| <b>U.S. Natural Resources Conservation Services</b>                  |                                 |                           |  |  |                                  |  |
| <b>AppCARE</b>   |                                 |                           |  |  |                                  |  |
| AppCARE  | 10.902                          | 68-4741-17-038            | 65,327   | 65,327   | -                                | -  |
| AppCARE  | 10.902                          | NR224741XXXXCO12          | -  | -  | 100,549                          | 100,549  |
| Total U.S. Natural Resources Conservation Services                   |                                 |                           | <u>65,327</u>  | <u>65,327</u>  | <u>100,549</u>                   | <u>100,549</u>   |
| <b>TOTAL FEDERAL GRANTS</b>  |                                 |                           | <u>\$ 480,922</u>                                      | <u>\$ 1,796,103</u>                                  | <u>\$ 1,772,292</u>              | <u>\$ 457,111</u>                                      |

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF NON-FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| Non-Federal Grantor/<br>Pass-through Grantor/<br>Program Title | Grant<br>Number | Accrued or<br>(Deferred)<br>Expenditures<br>at 9/30/22 | Non-Federal<br>Expenditures<br>Received<br>from Grantors | Non-Federal<br>Expenditures<br>Earned | Accrued or<br>(Deferred)<br>Expenditures<br>at 9/30/23 |
|--|-----------------|--|--|---------------------------------------|--|
| Tn Dept of Environment and Conservation                        |                 |  |  |                                       |  |
| TN State Parks   | 32701-04488     | -  | 47,924   | 47,924                                | -  |
| TN State Parks   | 32701-04692     | -  | 95,590   | 95,590                                | -  |
|  |                 | <u>-</u>   | <u>143,514</u>   | <u>143,514</u>                        | <u>-</u>   |
| BlueCross BlueShield of TN                                     | N/A             |  |  |                                       |  |
| Community Trust & Foundation                                   |                 |  |  |                                       |  |
| Hispanic Financial Improvement                                 |                 | (2,374)  | -  | 2,374                                 | -  |
|  |                 | <u>(2,374)</u>   | <u>-</u>   | <u>2,374</u>                          | <u>-</u>   |
| Local Initiatives Support Corporation                          | 48154-0008      | 13,344   | 15,015   | 1,671                                 | -  |
| Local Initiatives Support Corporation                          | 48154-0010      | 1,500  | 22,500   | 21,000                                | -  |
| Local Initiatives Support Corporation                          | 48154-0009      | 15,500   | 15,500   | -                                     | -  |
| Local Initiatives Support Corporation                          | 48154-0007      | (1,300)  | -  | 63                                    | (1,237)  |
|  |                 | <u>29,044</u>  | <u>53,015</u>  | <u>22,734</u>                         | <u>(1,237)</u>   |
| KUB/TVA Community Assistance                                   |                 | -  | 10,000   | -                                     | (10,000)   |
|  |                 | <u>-</u>   | <u>10,000</u>  | <u>-</u>                              | <u>(10,000)</u>  |
| The Nature Conservancy Cumberland Forest CF                    | N/A             | (35,862)   | 65,000   | 15,122                                | (85,740)   |
| Total Nature Conservancy                                       |                 | <u>(35,862)</u>  | <u>65,000</u>  | <u>15,122</u>                         | <u>(85,740)</u>  |
| Tennessee Wildlife Resources Agency                            |                 |  |  |                                       |  |
| TWRA-Riparian Conservation BMP's                               | 59173           | -  | 9,000  | 9,000                                 | -  |
| Total Tennessee Wildlife Resources Agency                      |                 | <u>-</u>   | <u>9,000</u>   | <u>9,000</u>                          | <u>-</u>   |
| <b>TOTAL NON-FEDERAL GRANTS</b>                                |                 | <u>\$ (9,192)</u>                                      | <u>\$ 280,529</u>  | <u>\$ 192,744</u>                     | <u>\$ (96,977)</u>                                     |

**CLINCH-POWELL CONSERVATION AND DEVELOPMENT COUNCIL, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Note 1 – Basis of Presentation

The accompanying schedules of expenditures of federal and non-federal awards (the Schedule) includes the federal and non-federal award activity of the Council under programs of the federal and state government for the year ended September 30, 2023. 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* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and /or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 – Reconciliation to Financial Statements

Awards expended during the year ended September 30, 2023 included:

|                             |                           |
|-----------------------------|---------------------------|
| Federal Awards Expended     | \$1,772,292               |
| Non Federal Awards Expended | <u>192,774</u>            |
| Total Awards Expended       | <u><u>\$1,965,066</u></u> |

Note 4 – Indirect Cost Rate

The Council is not eligible to use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance as they have previously applied for and been approved for an indirect cost rate of 13.80%.

Note 5 – Awards Passed through to Subrecipients

The Council had no awards which it passed through to subrecipients.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Clinch-Powell Resource Conservation &  
Development Council, Inc.  
Rutledge, 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 consolidated financial statements of Clinch-Powell Resource Conservation & Development Council, Inc. (a non-profit organization) and Clinch-Powell Construction Company (a for profit company), which comprise the consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clinch-Powell Resource Conservation & Development Council, Inc.'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 Clinch-Powell Resource Conservation & Development Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Clinch Powell Resource Conservation & Development Council's internal control.

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

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

**Report on Compliance and Other Matters**

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



## **Purpose of This Report**

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

*Baird Audit Group, LLC*

The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, GA  
February 15, 2024

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Clinch-Powell Resource Conservation &  
Development Council, Inc.  
Rutledge, Tennessee

### **Report on Compliance for Each Major Federal Program**

We have audited Clinch-Powell Resource Conservation & Development Council, Inc.'s (the Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that would have a direct and material effect on each of the Council's major federal programs for the year ended September 30, 2023. The Council's major federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements above, could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Program***

In our opinion, the Council 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 September 30, 2023.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance.

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

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

The purpose of the 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.

*Baird Audit Group, LLC*

The Baird Audit Group, LLC  
Certified Public Accountants

Augusta, Georgia  
February 15, 2024



**CLINCH-POWELL RESOURCE CONSERVATION & DEVELOPMENT COUNCIL  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Prior Year Audit Findings:**

There were no prior year audit findings.