

Consolidated Financial Statements
and Other Financial Information

Clinch-Powell Resource Conservation & Development Council, Inc.

*Year ended September 30, 2025
with Independent Auditor's Report*

Clinch-Powell Resource Conservation & Development Council, Inc.

Consolidated Financial Statements and
Other Financial Information

Year ended September 30, 2025

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Clinch-Powell Resource Conservation & Development Council, Inc.

Roster of Officials

As of September 30, 2025

Board of Directors

Cody Brown	Chairperson
Roberta Jeanquart	Vice Chairperson
Kaissen Oxendine	Secretary/Treasurer
Cherry Acuff	Board Member
Tonya Estévez	Board Member
Thomas Harrison	Board Member
William Isom	Board Member
David Lietzke	Board Member
Sheldon Livesay	Board Member
Floyd Rhea	Board Member
Robert Ripley	Board Member
Steve Roark	Board Member
Katherine Smith	Board Member
Tom Stephens	Board Member
Joe Woody	Board Member

Officers

Lindy Turner	Executive Director
Sara Knight	Financial Supervisor



Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Clinch-Powell Resource Conservation & Development Council, Inc. (the Council), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Council as of September 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Consolidated Financial Statements section of our report. We are required to be independent of the Council 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 opinion.

Other Matter

The consolidated financial statements of the Council for the year ended September 30, 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 14, 2025.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

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

Responsibilities of Management for the Consolidated Financial Statements (continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 consolidated 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 consolidated 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 the Council'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and non-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* (Uniform Guidance) and the State of Tennessee is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards and nonfederal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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 February 6, 2026 on our consideration of the Council'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 the Council'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 the Council's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
February 6, 2026

Clinch-Powell Resource Conservation & Development Council, Inc.

Consolidated Statement of Financial Position

September 30, 2025

Assets

Cash and cash equivalents	\$ 1,461,976
Accounts receivable	24,757
Loans receivable, net	614,360
Grants receivable	1,578,221
Other receivable to related party	110,862
Property and equipment, net	2,002,457
Land and development costs	3,032,431
Beneficial interest in assets held by others	247,492
Other assets	107,486
Total assets	<u><u>9,180,042</u></u>

Liabilities and net assets

Liabilities:

Accounts payable	\$ 152,914
Accrued expenses	102,177
Deferred revenue	214,107
Loans sold with recourse	578,771
Total liabilities	<u>1,047,969</u>

Net assets:

Without donor restrictions	7,260,473
With donor restrictions	871,600
Total net assets	<u>8,132,073</u>

Total liabilities and net assets	<u><u>\$ 9,180,042</u></u>
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See accompanying Notes to Consolidated Financial Statements.

Clinch-Powell Resource Conservation & Development Council, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year ended September 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Contributions	\$ 10,191	\$ 18,521	\$ 28,712
Grants	-	2,682,463	2,682,463
In-kind contributions	480,234	-	480,234
Fees for services	789,890	-	789,890
Rent	222,420	-	222,420
Home sales	1,328,188	-	1,328,188
Interest income	244,227	1,919	246,146
Change in value of beneficial interest held by others	-	28,237	28,237
Other	64,602	-	64,602
	<u>3,139,752</u>	<u>2,731,140</u>	<u>5,870,892</u>
Net assets released from restrictions	2,763,181	(2,763,181)	-
Total support and revenues	<u>5,902,933</u>	<u>(32,041)</u>	<u>5,870,892</u>
Expenses:			
Program services	4,058,693	-	4,058,693
Management and general	480,254	-	480,254
Fundraising	3,025	-	3,025
Total expenses	<u>4,541,972</u>	<u>-</u>	<u>4,541,972</u>
Change in net assets	1,360,961	(32,041)	1,328,920
Net assets at beginning of year	5,899,512	903,641	6,803,153
Net assets at end of year	<u>\$ 7,260,473</u>	<u>\$ 871,600</u>	<u>\$ 8,132,073</u>

See accompanying Notes to Consolidated Financial Statements.

Clinch-Powell Resource Conservation & Development Council, Inc.

Consolidated Statement of Functional Expenses

Year ended September 30, 2025

	Program Services	Management and General	Fundraising	Totals
Salaries, wages, and benefits	\$ 1,274,930	\$ 344,505	\$ -	\$ 1,619,435
Construction costs	1,526,664	-	-	1,526,664
Contract services	384,108	195	-	384,303
Supplies and materials	181,337	27,391	3,025	211,753
Repairs and maintenance	258,142	5,158	-	263,300
Insurance	24,978	61,190	-	86,168
Utilities and phone	34,882	13,165	-	48,047
Travel	32,444	715	-	33,159
Professional fees	-	12,500	-	12,500
Donations and grants	166,129	-	-	166,129
Promotional	5,478	-	-	5,478
Printing and copying	325	3,679	-	4,004
Rent	12,300	-	-	12,300
Dues and subscriptions	5,405	2,020	-	7,425
Meetings	18,388	1,141	-	19,529
Postage	388	1,571	-	1,959
Provision for credit losses	5,601	-	-	5,601
Depreciation	66,127	5,816	-	71,943
Miscellaneous	61,067	1,208	-	62,275
Total	\$ 4,058,693	\$ 480,254	\$ 3,025	\$ 4,541,972

See accompanying Notes to Consolidated Financial Statements.

Clinch-Powell Resource Conservation & Development Council, Inc.

Consolidated Statement of Cash Flows

Year ended September 30, 2025

Operating activities:	
Increase in net assets	\$ 1,328,920
Adjustments to reconcile to net cash used in operating activities:	
Provision for credit losses	5,601
Depreciation	71,943
Gain on sale of property	(64,056)
Change in operating assets and liabilities:	
Accounts receivable	52,305
Loans receivable	9,494
Grants receivable	(839,109)
Other receivable to related party	(6,426)
Beneficial interest in assets held by others	(28,237)
Land and development costs	(757,787)
Other assets	(105,236)
Accounts payable and accrued expenses	39,239
Deferred revenue	51,368
Net cash used in operating activities	<u>(241,981)</u>
Investing activities	
Purchases of property and equipment	(57,955)
Proceeds from sale of property and equipment	138,828
Net cash provided by investing activities	<u>80,873</u>
Net decrease in cash	(161,108)
Cash and cash equivalents at beginning of year	<u>1,623,084</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,461,976</u></u>
Supplemental disclosure of noncash activities	
Reduction of loans sold with recourse	\$ 37,515

See accompanying Notes to Consolidated Financial Statements.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements

September 30, 2025

1. Operations and Significant Accounting Policies

Operations

Clinch-Powell Resource Conservation & Development Council, Inc. (the Council) was incorporated under the laws of the State of Tennessee in 1989 as a not-for-profit corporation located in Rutledge, Tennessee. The Council's mission is to build strong communities, care for people, and protect natural resources in East Tennessee and surrounding areas. The Council is a Community Housing Development Organization (CHDO) and holds a Tennessee license for mortgage origination. The Council is approved by the U.S. Department of Housing and Urban Development (HUD) as a counseling agency and maintains certified housing counselors to provide services.

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-entity accounts and transactions have been eliminated in consolidation.

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 operates a large AmeriCorps program called Appalachia CARES under a federal grant. 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.

Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and provide for the accrual basis of accounting.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

1. Operations and Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

The Council reports information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions – Net assets available for use in general operations and are not subject to donor or grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor or grant restrictions on their use that may be met either by the passage of time or other events specified by the donor. All net assets with donor restrictions relate to temporary purpose restrictions.

Cash and Cash Equivalents

The Council considers all highly liquid investments with a maturity of three months or less when purchased and certificates of deposit to be cash equivalents.

Accounts Receivable and Fees for Services

The Council provides services related to affordable housing, environmental conservation, and historic preservation. Revenues are recognized when performance obligations are satisfied as services are completed. Contracts are short-term in nature and require payment at the time the services are performed.

It is the Council's policy not to require collateral for accounts receivable. The Council uses an expected credit loss methodology to estimate an allowance for expected credit losses. This methodology assesses historical losses based on revenues. Management considers the following factors when determining collectability: creditworthiness, past transaction history, current economic industry trends, and changes in payment terms. Past due balances and other higher risk amounts are reviewed individually for collectability. If the financial condition of the customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Estimated uncollectible amounts result in a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. The Council has not recorded a valuation allowance for accounts receivable as of September 30, 2025. Accounts receivable as of September 30, 2024 totaled \$140,225.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

1. Operations and Significant Accounting Policies (continued)

Loans Receivable

The Council provides loans to other entities and individuals under various loan programs. Certain loans provide for low- or no-interest rates which are mandated under government grants. Loans are generally due over terms ranging from five to thirty years. Loans receivable are stated at unpaid principal balances, net of an allowance for forgivable and uncollectible portions. Certain loans contain provisions under which a portion of the principal may be forgiven if specified conditions are met. The forgivable portion of such loans is included in the allowance for forgivable and uncollectible loans. All loans are secured by deeds of trusts.

Interest income, if any, is recognized when earned in accordance with the accrual basis of accounting and the terms of the loan. Loans are placed on nonaccrual status when collection of interest is considered doubtful. Interest income on nonaccrual loans is recognized only to the extent cash payments are received. Unpaid interest is added to the principal balance until a loan is placed on nonaccrual status. The Council recognized interest income of approximately \$3,400 on loans receivable in 2025.

Receivables are considered past due based on contractual terms, which is generally 90 days. The Council evaluates loans receivable individually based on historical credit loss experience. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as delinquency level or term. Factors considered in determining collectability include historical loss experience, current economic conditions, and specific borrower circumstances. Loans determined to be forgivable or otherwise uncollectible are considered impaired and result in a charge to earnings and a credit to the allowance for forgivable and uncollectible loans. Receivables are written off when management determines amounts are uncollectible through a charge to the allowance for forgivable and uncollectible loans and a credit to loans receivable. No interest income was received on impaired loans during the year ended September 30, 2025.

There were no purchases, sales, or reclassifications of loans receivable during the year ended September 30, 2025.

Other Receivable to Related Party

The Council has outstanding receivables to another not-for-profit organization that shares 3 board members with the Council. The receivable bears interest at 1% and is payable on demand. The Council recognized interest income of approximately \$500 from the other receivables to related party in 2025.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

1. Operations and Significant Accounting Policies (continued)

Contributions and Grants

Grant revenue is recognized as conditions imposed by the grantor are satisfied. For amounts received prior to satisfaction of grantor-imposed conditions, amounts are included in deferred revenue until the conditions are satisfied. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support and revenues with donor restrictions. When a donor restriction expires in a subsequent fiscal year, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as net assets without donor restrictions.

In-Kind Contributions

Donated materials are reported as contributions at their estimated fair values on the date of contribution. Donated services are recognized as revenue at their estimated fair value if the services are performed by individuals requiring specialized skills, are performed by people with those skills, and would otherwise be purchased by the Council. The fair value of donated services is estimated based on standard industry pricing for similar services. For the year ended September 30, 2025, qualifying donated materials and services were recognized at fair value in the amounts of \$114,775 and \$365,459, respectively, and are included as in-kind contributions and expenses in the accompanying consolidated financial statements. Donated services recorded primarily relate to services provided by certified teachers and community professionals related to the Appalachia CARES AmeriCorp program. Services provided by volunteers that did not meet the recognition criteria were not recorded.

Home Sales

The Council acquires, develops, and disposes of real estate properties to further its objective of affordable homeownership. Revenue from home sales is recognized at the closing of the sale. Capitalized costs are charged to earnings upon closing.

Land and Development Costs

Costs that 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.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

1. Operations and Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation. Donated property and equipment and contributions of cash restricted for the acquisition of property and equipment are recorded as support with donor restrictions and reclassified to net assets without donor restrictions when the assets are placed in service, unless donor stipulations require the assets to be maintained for a specified period.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from three to thirty-nine years. Repairs and maintenance are expensed as incurred, and significant renewals and betterments are capitalized.

Leases

The Council determines if an arrangement is or contains a lease at contract inception. The Council has elected not to recognize a right-of-use asset and lease liability for its short-term leases, which are defined as leases with an initial term of 12 months or less. The Council leases building facilities with terms of 12 months. The Council incurred \$12,300 in short-term lease expense for the year ended September 30, 2025.

The Council also leases properties to tenants under agreements with terms of 12 months or less. The Council recognized \$222,420 in short-term lease revenue for the year ended September 30, 2025.

Functional Expenses

The Council incurs costs and expenses related to its programs services and supporting activities, such as fundraising and management. Expenses that are directly related to, and can be assigned to, are charged directly to each function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of the Council's joint costs are the costs associated with salaries, wages, and benefits. The Council allocates these joint costs using proportional methods based on direct costs on the various functions.

Income Taxes

The Council qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. CPCC is a taxable entity and 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, 2025. There were no deferred tax assets or liabilities at September 30, 2025.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

1. Operations and Significant Accounting Policies (continued)

Income Taxes (continued)

The Council and CPCC have no material unrecognized tax benefits or known material contingencies as of September 30, 2025. With limited exceptions, the Council and CPCC are not subject to examination by taxing authorities for years before 2021.

Concentrations of Credit Risk

Financial instruments that potentially subject the Council to concentrations of credit risk include cash and loans receivable. Cash is maintained in various bank accounts that, at times, may exceed federally insured limits. The Council's cash has been placed in high credit quality financial institutions. The Council has not experienced, nor does it anticipate, any losses with respect to such accounts.

Loans receivable are primarily to low-income families in the East Tennessee area. These loans are generally made to build, repair, or obtain homes and are collateralized by a lien on the related property.

Concentrations

The Council receives grant funds directly or as a pass-through from federal agencies. These revenues accounted for approximately 36% of total support and revenues for the year ended September 30, 2025. A substantial reduction in federal grants, should it occur, would have a significant effect on the Council's activities and programs.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparation of the accompanying consolidated financial statements, management has evaluated subsequent events that have occurred since September 30, 2025 through February 6, 2026, the date the consolidated financial statements were available for issuance.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

2. Liquidity and Availability of Resources

The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of September 30, 2025, the Council has \$3,064,954 of financial assets. Those financial assets include cash of \$1,461,976, accounts receivable of \$24,757, and grants receivable of \$1,578,221. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Accounts receivable and grants receivable are expected to be collected within one year of the statement of financial position date.

3. Loans Receivable

Loans receivable are as follows as of September 30, 2025:

	Unpaid Principal	Allowance for Forgivable and Uncollectible	Net
New Start loans (Note 7)	\$ 578,771	\$ –	\$ 578,771
Small Business loans	19,759	(11,917)	7,842
Home loans	265,385	(237,638)	27,747
Loans receivable	<u>\$ 863,915</u>	<u>\$ (249,555)</u>	<u>\$ 614,360</u>

Loans receivable include approximately \$50,300 that is considered current loans receivable. Approximately \$11,917 of loans receivable is considered past-due more than 90 days and is fully reserved.

New Start loans receivable are collateralized by a deed of trust that has been assigned to Tennessee Housing Development Agency (THDA) (Note 7).

The following presents the activity in the allowance for credit losses for loans receivable:

Balance at September 30, 2024	\$ 254,848
Write-offs	(10,894)
Credit loss expense	5,601
Balance at September 30, 2025	<u>\$ 249,555</u>

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

4. Beneficial Interest in Assets Held by Others

The Council's endowment net assets consist of a beneficial interest in a donor-restricted endowment fund (the Fund) held and managed by the East Tennessee Foundation (ETF), an unrelated tax-exempt community foundation. The initial contributions to the Fund are to be invested in perpetuity. Investment income may be distributed to the Council for unrestricted purposes as determined by ETF. The Fund is legally owned by ETF and ETF shall have the ultimate authority and control of all property of the fund and income derived therefrom. The associated net assets have been classified as net assets with donor restrictions (Note 8).

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 endowment funds absent explicit donor stipulations to the contrary. To accomplish this objective, the Council preserves the fair value of the original gift as of the gift date by classifying as net assets with donor restrictions the original value of gifts to establish the permanent endowment and the original value of subsequent gifts to the permanent endowment. There was no activity to the Council's permanent endowment balance in 2025. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions with a timing restriction until it is distributed at the discretion of ETF.

Change in beneficial interest in assets held by others is as follows for the year ended September 30, 2025:

Balance at September 30, 2024	\$ 219,255
Investment income	5,011
Net realized and unrealized gains	26,686
Fees	(3,460)
Balance at September 30, 2025	<u>\$ 247,492</u>

5. Fair Value Measurements

Accounting principles generally accepted in the United States of America establishes a framework which provides a fair value hierarchy to prioritize the inputs and valuation techniques used to measure fair value. The three levels of fair value (in order of priority) are described below:

- Level 1 – Quoted prices in active markets for identical instruments.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

5. Fair Value Measurements (continued)

The fair value measurement level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Beneficial interest in assets held by others is recorded at fair value, which is estimated as the fair value of the underlying assets. The Council's beneficial interest in assets held by ETF are held in a long-term commingled investment fund, which is a unitized investment pool for which there is no active market. Because the valuation is based on unobservable inputs, including assumptions about the underlying asset values that are not directly observable to the Council, the beneficial interest in assets held by others is classified as Level 3.

The following table sets forth by level, within the fair value hierarchy, the Council's assets measured at fair value on a recurring basis as of September 30, 2025:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 247,492	\$ 247,492

6. Property and Equipment

Property and equipment consists of the following as of September 30, 2025:

Land	\$ 213,243
Buildings	2,632,943
Computers and equipment	32,482
Vehicles	32,163
Other	25,502
	<u>2,936,333</u>
Less accumulated depreciation	<u>(1,001,993)</u>
	1,934,340
Construction in progress	68,117
Net property and equipment	<u><u>\$2,002,457</u></u>

Buildings and land consist of residential rental property with related accumulated depreciation of \$931,534. Some of these properties were acquired with federal and state funds and are required to be held for rent to eligible families for periods from 10 to 15 years. THDA holds a rental deed of trust against certain properties that require repayment of the grant funds in the event of default.

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

7. Loans Sold with Recourse

The Council sold certain New Start Program mortgages receivable to THDA of \$578,771. These loans receivable were purchased from the Council, with recourse, such that the Council has an obligation to repurchase the loans if certain conditions of the sale are not met. As a result of the obligation, these transactions are treated as secured borrowings.

The outstanding balances of the mortgages receivable that were transferred to THDA are included in loans receivable on the statement of financial position. A corresponding liability to THDA is recorded for the same amount of these transferred mortgages receivable. The liability is payable in monthly installments over 30 years, without interest. The loans are collateralized by assignment of a deed of trust held by the Council.

Maturities of loans sold with recourse are as follows as of September 30, 2025:

2026	\$ 41,672
2027	41,672
2028	41,672
2029	41,672
2030	41,672
Thereafter	370,411
Total loans sold with recourse	<u>\$ 578,771</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows as of September 30, 2025:

Specific purpose restrictions:	
Rental properties	\$ 535,987
Grant loans	67,047
Other	21,074
	<u>624,108</u>
Timing restrictions:	
Beneficial interest in assets held by others	187,492
Permanent endowments:	
Beneficial interest in assets held by others	60,000
Total beneficial interest in assets held by others	<u>247,492</u>
Total net assets with donor restrictions	<u>\$ 871,600</u>

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Consolidated Financial Statements (continued)

9. Retirement Plan

The Council maintains a SIMPLE 401(k) retirement plan and matches up to 3% of each eligible employee's compensation. The Council contributed \$23,908 to the plan in 2025.

10. Grant from Private Foundation

The Council has been approved for a \$10,000,000 grant from a private foundation. The Council has incurred eligible expenditures and recognized \$199,401 in revenue in the consolidated statement of activities related to this grant in 2025. The Council has entered into an agreement with a financial intermediary to maintain the remaining funds until they are spent. In connection with the partnership agreement, the Council earns a portion of interest earned on the unspent funds. The Council has recognized approximately \$236,000 in interest income in 2025 from this agreement.

Clinch-Powell Resource Conservation & Development Council, Inc.
Schedule of Expenditures of Federal Awards and Non-Federal Awards
Year ended September 30, 2025

Federal Agency/Pass-through Agency/Program Title	Federal Assistance Listing Number	Entity Identifying Number	Expenditures
<u>Federal Awards</u>			
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program:			
Comprehensive Housing Counseling FY23-24	14.169	HC24-0421030	\$ 30,772
Comprehensive Housing Counseling FY22-23	14.169	HC23-0421016	4,228
Total Assistance Listing Number 14.169			<u>35,000</u>
Passed through Tennessee Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HMCH-23-01	198,106
HOME Rental Housing Development Program	14.239	HMR-23-02	453,416
Total Assistance Listing Number 14.239			<u>651,522</u>
Total U.S. Department of Housing and Urban Development			686,522
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Rural Housing Preservation Grants	10.433	48-029-621396815 LN25	186,590
USDA 523 Self-Help	10.420	48-029-621396815 LN27	223,529
AppalachiaCares	10.902	NR224741XXXXC012	34,304
Passed through Knoxville Leadership Foundation, Inc.:			
Rural Community Development Initiative	10.446	USDA-RD-HCFP-RCDI-2025	5,500
Total U.S. Department of Agriculture			449,923
<u>U.S. Department of Treasury</u>			
Passed through Tennessee Housing Development Agency:			
Homeowners Assistance Fund - COVID	21.026	HAF	39,093
Passed through Tennessee Housing Development Agency & FAHE:			
Coronavirus State and Local Fiscal Recovery Funds - COVID	21.027	ERA-EPP-2023-10	500,000
Passed through NeighborWorks America:			
NeighborWorks America	21.U01	Public Law #118-42	14,036
Total U.S. Department of Treasury			553,129
<u>Corporation for National and Community Service</u>			
Passed through Volunteer Tennessee:			
AppalachiaCares - 2025-2026	94.006	31701-112615	11,255
AppalachiaCares - 2024-2025	94.006	31701-112505	430,575
AppalachiaCares - 2023-2024	94.006	31701-112404	6,094
AppCARE ASC Conference	94.006	75908	2,546
Total Assistance Listing Number 94.006			<u>450,470</u>
Total Corporation for National and Community Service			450,470
Total Federal Awards			\$ 2,140,044

Clinch-Powell Resource Conservation & Development Council, Inc.
Schedule of Expenditures of Federal Awards and Non-Federal Awards
Year ended September 30, 2025

Grantor	Program Title	Grant Number	Expenditures
<u>Non-Federal Awards</u>			
Tennessee Department of Environment and Conservation	Tennessee State Parks	32701-05504	\$ 100,558
Tennessee Department of Economic and Community Development	Historic Development Grant Program	33007-45524	57,203
Local Initiatives Support Corporation		48154-0011	38,224
Heron Foundation	Community Capital Partnership		199,401
Partners for Sacred Places	Presbyterian Church		4,322
Appalachy Ventures			2,150
African American Cultural Heritage Act Fund			3,706
United Fund of Cumberland County	Home Repair Cumberland County		3,750
Ballad Health			26,725
East Tennessee Foundation	Cocke County Disaster Relief		4,200
United Way East Tennessee Highlands	Hwy 73 & River Chase Trial Home Repair		8,000
Charites Aid Foundation America/Truist	Jefferson/Hamblen Counseling		6,930
KUB/TVA Community Assistance			3,680
Volunteer Energy Cooperative			1,000
The Nature Conservancy	Cumberland Forest		52,629
FAHE, Inc.	Yield Giving-Mackenzie Scott Fund		29,941
Total Non-Federal Awards			<u>\$ 542,419</u>

Clinch-Powell Resource Conservation & Development Council, Inc.

Notes to Schedule of Expenditures of Federal Awards and Non-Federal Awards

Year ended September 30, 2025

Basis of Presentation

The Schedule of Expenditures of Federal Awards and Non-Federal Awards (the Schedule) summarize the award activity of Clinch-Powell Resource Conservation & Development Council, Inc. (the Council) under programs of the federal and state governments and other awards for the year ended September 30, 2025, and are presented on the 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* and the State of Tennessee Audit Manual

Indirect Cost Rate

The Council is not eligible to use the 10% de minimis indirect cost rate. The Council uses a negotiated indirect cost rate of 15%.



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

Independent Auditor's Report

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

We have audited, 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 (*Government Auditing Standards*), the consolidated financial statements of Clinch-Powell Resource Conservation & Development Council, Inc. (the Council), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Council'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 consolidated financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Council's consolidated 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.

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

Report on Compliance and Other Matters

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

Coulter & Justus, P. C.

Knoxville, Tennessee
February 6, 2026



Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clinch-Powell Resource Conservation & Development Council, Inc.'s (the Council) 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 the Council's major federal program for the year ended September 30, 2025. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

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

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 Council'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 Council'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 GAAS, *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 Council's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council'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 Council'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 Council'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.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 were not identified.

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

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

Coulter & Justus, P.C.

Knoxville, Tennessee
February 6, 2026

Clinch-Powell Resource Conservation & Development Council, Inc.

Schedule of Findings and Questioned Costs

September 30, 2025

Section I - Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to consolidated financial statements?	None reported

Federal Awards

Internal control over major program(s): Material weakness(es) identified?	None reported
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	None

Identification of major programs:	<u>Asst. Listing</u> 14.239	<u>Name of Program</u> <i>Home Investment Partnerships Program (HOME)</i>
Dollar threshold used to distinguish between Type A and Type B programs:	\$1,000,000	
Auditee qualified as low-risk auditee?	Yes	

Clinch-Powell Resource Conservation & Development Council, Inc.

Schedule of Findings and Questioned Costs (continued)

September 30, 2025

Section II -- Financial Statement Findings

None reported.

Section III -- Federal Award Findings and Questioned Costs

None reported.

Section IV -- Schedule of Prior Year Audit Findings

None reported.