

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Financial Statements
and Supplementary Information

Year Ended June 30, 2025

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Financial Statements
 and Supplementary Information
 Year Ended June 30, 2025

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INTRODUCTORY SECTION (UNAUDITED)

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Gary Holiway, Executive Director
Board of Directors and Policy Council
Year Ended June 30, 2025

Anderson County
County Mayor Terry Frank

Hamblen County
County Mayor Chris Cutshaw

Roane County
County Executive Wade Creswell

Blount County
County Mayor Ed Mitchell

Jefferson County
County Mayor Mark Potts

Scott County
County Mayor Jerried Jeffers

Campbell County
County Mayor Jack Lynch

Knox County
County Mayor Glenn Jacobs,
Vice Chair

Sevier County
County Mayor Larry Waters

Claiborne County
County Mayor Joe Brooks

Loudon County
County Mayor Buddy Bradshaw

Union County
County Mayor Jason Bailey

Cocke County
County Mayor Rob Mathis,
Secretary

Monroe County
County Mayor Mitch Ingram,
Treasurer

City Mayors
City of Farragut Mayor, Ron
Williams
City of Newport Mayor Trey
Dykes
City of Cumberland Gap Mayor
Neal Pucciarelli

Grainger County
County Mayor Mike Byrd

Morgan County
County Executive Brian Langley,
Chair

General Assembly
Senator Richard Briggs
Representative Elaine Davis

RAB Representatives
Kimberly Deal

FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of ETHRA as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ETHRA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ETHRA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

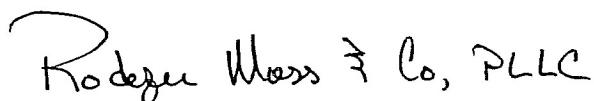
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of ETHRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ETHRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETHRA's internal control over financial reporting and compliance.



Knoxville, Tennessee
January 27, 2026

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Management's Discussion & Analysis

Year Ended June 30, 2025

This section of the East Tennessee Human Resource Agency, Inc. ("ETHRA") financial report is a narrative discussion and analysis by management of the financial activities for the fiscal year ended June 30, 2025. ETHRA's financial performance is presented and analyzed within the context of the accompanying financial statements with appropriate disclosures, following this section.

Overview of the Basic Financial Statements

The basic financial statements are comprised of four sections:

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

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

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

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

The General Fund includes ETHRA administration and unrestricted resource management.

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

The Proprietary Fund financial statements present all business-like activities. ETHRA operates three business-like activities: Misdemeanor Program, a court service that supervises offenders and monitors costs and fines for the court, Housing and Urban Development ("HUD") Housing Choice Voucher ("HCV") Program, which administers housing vouchers to eligible people for rental assistance, and Transportation Enterprise, which includes fixed contracts for transportation services. These activities are reported as business-like activities for the year ended June 30, 2024.

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

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

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

	2025	2024	Increase/ (Decrease)
Assets			
Cash and cash equivalents and investments	\$ 9,478,322	\$ 7,118,956	\$ 2,359,366
Capital assets, net	5,945,115	5,073,178	871,937
Receivables from grantors, contractors, and others	11,631,129	13,835,009	(2,203,880)
Prepaid expenses and deposits	189,171	209,810	(20,639)
Total Assets	<u>27,243,737</u>	<u>26,236,953</u>	<u>1,006,784</u>
Liabilities			
Accounts payable	4,852,512	5,406,081	(553,569)
Accrued compensation	2,072,797	2,013,011	59,786
Accrued expenses	5,448,728	4,232,430	1,216,298
Lease liability	746,475	1,193,651	(447,176)
Total Liabilities	<u>13,120,512</u>	<u>12,845,173</u>	<u>275,339</u>
Net Position			
Investment in capital assets	5,198,640	3,879,527	1,319,113
Restricted net position	7,616,383	6,610,464	1,005,919
Unrestricted net position	1,308,202	2,901,789	(1,593,587)
Total Net Position	<u>\$ 14,123,225</u>	<u>\$ 13,391,780</u>	<u>\$ 731,445</u>

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

Analysis of Financial Position - (Continued)

	2025	2024	Increase/ (Decrease)
Revenues			
Operating grants and contributions	\$ 50,325,406	\$ 46,674,836	\$ 3,650,570
Charges for services	4,633,313	4,186,286	447,027
Assessment to local governments	<u>264,440</u>	<u>264,340</u>	100
Total Revenues	<u>55,223,159</u>	<u>51,125,462</u>	<u>4,097,697</u>
Expenses			
General government	(363,358)	(261,231)	(102,127)
Aging	12,508,024	12,011,596	496,428
ETHRA aging	1,151,923	1,102,434	49,489
Transportation	13,092,388	13,292,490	(200,102)
Workforce development	5,955,749	6,146,990	(191,241)
Housing and restoration	4,783,492	4,543,114	240,378
Title V	946,987	970,027	(23,040)
Corrections and probation	1,150,816	1,106,533	44,283
Child and family assistance	6,771,478	5,616,841	1,154,637
Homemaker	529,266	453,666	75,600
Mountain Valley	421,003	501,203	(80,200)
Loan	877	2,024	(1,147)
Misdemeanor	1,217,949	1,280,545	(62,596)
Transportation Enterprise	259,619	161,230	98,389
HUD Housing Choice Voucher	<u>5,595,501</u>	<u>5,165,185</u>	<u>430,316</u>
Total Expenses	<u>54,021,714</u>	<u>52,092,647</u>	<u>1,929,067</u>
Change in Net Position	<u>\$ 1,201,445</u>	<u>\$ (967,185)</u>	<u>\$ 2,168,630</u>

In addition to the issue of reimbursement, many grants and contracts require a cash match as a condition of operating the grant. The only form of unrestricted cash available to ETHRA is the assessments to the counties served by ETHRA and undesignated donations. In 2025, ETHRA continued to receive an appropriation from the State of Tennessee budget.

Program Highlights

ETHRA had an increase in net position of \$731,445 and a total net position of \$14,123,225. Overall, during FY25, ETHRA maintained a healthy financial position and most of the programs at ETHRA operated without material deviation from budget.

ETHRA's Child Care Food Program had a slight decrease in net surplus compared to FY24 but still had a positive fund balance in FY25.

ETHRA's HUD program had an 10.2% increase in revenue. This funding is due to increased rent amounts.

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Management's Discussion & Analysis(Continued)

Economic Factors and Next Fiscal Year

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

Contact Information

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

June 30, 2025

	Primary Government		
	Governmental		Business -
	Activities	Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,616,845	\$ 831,827	\$ 9,448,672
Investments	29,650	-	29,650
Receivables	11,253,746	48,924	11,302,670
Loans receivable	328,459	-	328,459
Deposits	11,344	900	12,244
Prepaid expenditures	176,802	125	176,927
Capital assets			
Capital assets, not being depreciated			
Land	32,614	-	32,614
Capital assets, net of accumulated depreciation			
Buildings	2,058,967	-	2,058,967
Furniture and equipment	61,778	-	61,778
Vehicles	2,727,058	340,447	3,067,505
Right of use leased assets, net of amortization	636,910	87,341	724,251
Total capital assets, net	<u>5,517,327</u>	<u>427,788</u>	<u>5,945,115</u>
Total assets	<u>\$ 25,934,173</u>	<u>\$ 1,309,564</u>	<u>\$ 27,243,737</u>
Liabilities			
Accounts payable	\$ 4,837,989	\$ 14,523	\$ 4,852,512
Accrued expenses	5,448,728	-	5,448,728
Accrued compensation:			
Due within one year	1,005,004	-	1,005,004
Due in more than one year	1,067,793	-	1,067,793
Lease liabilities:			
Due within one year	351,868	48,764	400,632
Due in more than one year	307,261	38,582	345,843
Total liabilities	<u>13,018,643</u>	<u>101,869</u>	<u>13,120,512</u>
Net Position			
Net investment in capital assets	4,858,198	340,442	5,198,640
Restricted for:			
THDA - House Loan	1,222,298	-	1,222,298
MVEOA	183,804	-	183,804
East Tennessee Foundation Investment	29,650	-	29,650
Human Resource Services	6,180,631	-	6,180,631
Unrestricted	440,949	867,253	1,308,202
Total net position	<u>\$ 12,915,530</u>	<u>\$ 1,207,695</u>	<u>\$ 14,123,225</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Net (Expenses) Revenue and Changes in Net Position							
	Expenses		Program Revenues			Position		
			Operating		Primary Government			
	Direct	Indirect	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities		Total
Primary government								
Governmental Activities:								
General government	\$ 2,658,890	\$ (3,022,248)	\$ -	\$ 159,771	\$ 523,129	\$ -	\$ 523,129	
Aging	11,958,919	549,105	252,534	13,617,979	1,362,489	-	1,362,489	
ETHRA Aging	1,057,264	94,659	16,742	98,606	(1,036,575)	-	(1,036,575)	
Transportation	11,652,098	1,440,290	2,487,131	10,190,089	(415,168)	-	(415,168)	
Workforce development	5,590,220	365,529	383,185	5,724,628	152,064	-	152,064	
Housing and restoration	4,702,481	81,011	-	4,732,228	(51,264)	-	(51,264)	
Title V	927,589	19,398	-	947,009	22	-	22	
Corrections and probation	1,051,473	99,343	3,240	1,100,164	(47,412)	-	(47,412)	
Child and Family Assistance	6,714,379	57,099	-	6,950,361	178,883	-	178,883	
Homemaker	485,066	44,200	-	532,047	2,781	-	2,781	
Mountain Valley	378,385	42,618	-	431,765	10,762	-	10,762	
Loan	877	-	-	8,933	8,056	-	8,056	
Total governmental activities	<u>47,177,641</u>	<u>(228,996)</u>	<u>3,142,832</u>	<u>44,493,580</u>	<u>687,767</u>	<u>-</u>	<u>687,767</u>	
Business-type activities								
Misdemeanor	1,079,251	138,698	1,168,738	-	-	(49,211)	(49,211)	
Transportation Enterprise	231,375	28,244	273,617	-	-	13,998	13,998	
HUD Housing Choice Voucher	<u>5,533,447</u>	<u>62,054</u>	<u>48,126</u>	<u>5,831,826</u>	<u>-</u>	<u>284,451</u>	<u>284,451</u>	
Total business-type activities	<u>6,844,073</u>	<u>228,996</u>	<u>1,490,481</u>	<u>5,831,826</u>	<u>-</u>	<u>249,238</u>	<u>249,238</u>	
Total primary government	<u>\$ 54,021,714</u>	<u>\$ -</u>	<u>\$ 4,633,313</u>	<u>\$ 50,325,406</u>	<u>687,767</u>	<u>249,238</u>	<u>937,005</u>	
General revenues								
Assessment to local governments				264,440	-	264,440		
Transfers				<u>(5,146)</u>	<u>5,146</u>	<u>-</u>		
Total general revenues				<u>259,294</u>	<u>5,146</u>	<u>264,440</u>		
Change in net position				947,061	254,384	1,201,445		
Net position - beginning of the year, as previously reported				12,438,469	953,311	13,391,780		
Restatement of beginning net position - see Note 14				(470,000)	-	(470,000)		
Net position - beginning of the year, as restated - see Note 14				<u>11,968,469</u>	<u>-</u>	<u>11,968,469</u>		
Net position - ending				<u>\$ 12,915,530</u>	<u>\$ 1,207,695</u>	<u>\$ 14,123,225</u>		

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Balance Sheet
Governmental Funds
June 30, 2025

		Human	Total
		Resource	Governmental
		General	Funds
Assets			
Cash and cash equivalents	\$ 151,952	\$ 941,637	\$ 1,093,589
Investments	29,650	-	29,650
Grant and contract receivables	33,971	11,219,775	11,253,746
Loans receivable	-	328,459	328,459
Deposits	5,744	5,600	11,344
Prepaid expenditures	5,998	-	5,998
Total assets	\$ 227,315	\$ 12,495,471	\$ 12,722,786
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 155,877	\$ 4,879,218	\$ 5,035,095
Accrued expenses	-	37,442	37,442
Total liabilities	155,877	4,916,660	5,072,537
Fund balances			
Nonspendable	11,742	-	11,742
Restricted	29,650	7,578,811	7,608,461
Unassigned	30,046	-	30,046
Total fund balances	71,438	7,578,811	7,650,249
Total liabilities and fund balances	\$ 227,315	\$ 12,495,471	\$ 12,722,786

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$8,868,715. \$ 4,880,417

Right of use leased assets, net of accumulated amortization used in governmental activities are not financial resources and therefore are not reported in funds. 636,910

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds. (659,129)

The Internal Service Fund is used by management to charge major equipment purchases and fringe benefits for all ETHRA employees, including accrued compensation. The assets and liabilities of the Internal Service fund are included in Governmental Activities in the Government-Wide Statement of Net Position. 407,083

Net position of governmental activities \$ 12,915,530

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Governmental Funds
 Year Ended June 30, 2025

	General	Human Resource Service	Total Governmental Funds
Revenues			
Grantor contributions	\$ 15,631	\$ 43,896,308	\$ 43,911,939
Program income	- -	3,010,944	3,010,944
USDA	- -	217,600	217,600
Assessments to local governments	264,440	41,050	305,490
In-kind contributions	- -	211,117	211,117
Other income	49,420	90,682	140,102
Interest income	11,120	8,940	20,060
Total revenues	340,611	47,476,641	47,817,252
Expenditures			
Current			
General government	67,946	- -	67,946
Aging	- -	12,528,950	12,528,950
ETHRA Aging	- -	1,104,791	1,104,791
Workforce Development	- -	5,738,070	5,738,070
Title V	- -	946,558	946,558
Housing and restoration	- -	4,776,118	4,776,118
Transportation Call Center	- -	12,220,288	12,220,288
Community Corrections	- -	1,113,131	1,113,131
Child Care Food	- -	6,765,851	6,765,851
Homemaker	- -	527,581	527,581
Mountain Valley	- -	382,481	382,481
Loan Program	- -	877	877
Capital outlay	- -	1,557,793	1,557,793
Debt service			
Lease principal	1,838	352,258	354,096
Lease interest	187	37,037	37,224
Total expenditures	69,971	48,051,784	48,121,755
Excess of revenues over expenditures	270,640	(575,143)	(304,503)
Other Financing (Uses) Sources			
Transfers in (out) - match	(92,195)	817,524	725,329
Total other financing sources, net	(92,195)	817,524	725,329
Net change in fund balances	178,445	242,381	420,826
Fund balances at beginning of year	(107,007)	7,336,430	7,229,423
Fund balances at end of year	\$ 71,438	\$ 7,578,811	\$ 7,650,249

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ 420,826

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

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

Depreciation expense	(829,258)
Capital asset purchases capitalized	1,621,539
Changes in net position of internal service funds	<u>(266,046)</u>

Change in net position of governmental activities \$ 947,061

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

Proprietary Funds

June 30, 2025

						Governmental Activities
			Transportation		Internal	
	Misdemeanor	HUD HCV	Enterprise	Total	Service Funds	
Assets						
Current Assets						
Cash and cash equivalents	\$ 5,010	\$ 783,619	\$ 43,198	\$ 831,827	\$ 7,523,256	
Accounts receivable	-	5,229	43,695	48,924	197,106	
Prepaid expenditures and deposits	1,025	-	-	1,025	170,804	
Total current assets	6,035	788,848	86,893	881,776	7,891,166	
Noncurrent Assets						
Right of use leased assets, net	87,100	-	241	87,341	-	
Capital assets, net	-	6,425	334,022	340,447	2,758,753	
Total noncurrent assets	87,100	6,425	334,263	427,788	2,758,753	
Total assets	<u>\$ 93,135</u>	<u>\$ 795,273</u>	<u>\$ 421,156</u>	<u>\$ 1,309,564</u>	<u>\$ 10,649,919</u>	
Liabilities						
Current Liabilities						
Accounts payable	\$ 6,035	\$ 8,473	\$ 15	\$ 14,523	\$ -	
Accrued expenses	-	-	-	-	5,411,286	
Accrued compensation, due within one year	-	-	-	-	1,005,004	
Lease liability, due within one year	48,529	-	235	48,764	-	
Total current liabilities	54,564	8,473	250	63,287	6,416,290	
Accrued compensation, due after one year	-	-	-	-	1,067,793	
Lease liability, due after one year	38,571	-	11	38,582	-	
Total liabilities	<u>93,135</u>	<u>8,473</u>	<u>261</u>	<u>101,869</u>	<u>7,484,083</u>	
Net Position						
Net investment in capital assets	-	6,425	334,017	340,442	2,758,753	
Unrestricted net position	-	780,375	86,878	867,253	407,083	
Total net position	<u>\$ -</u>	<u>\$ 786,800</u>	<u>\$ 420,895</u>	<u>\$ 1,207,695</u>	<u>\$ 3,165,836</u>	

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2025

	Misdemeanor	HUD HCV	Transportation		Governmental Activities	
			Enterprise	Total	Internal Service	
					Funds	
Operating Revenues						
Grantor contributions	\$ -	\$ 5,831,826	\$ -	\$ 5,831,826	\$ 458,814	
Program income	1,166,668	30,886	273,617	1,471,171	-	
Other revenue (expense)	2,070	17,240	-	19,310	(375,214)	
Total operating revenues, net	1,168,738	5,879,952	273,617	7,322,307	83,600	
Operating Expenses						
Salaries	578,937	278,163	119,470	976,570	-	
Fringe benefits	176,180	80,368	37,910	294,458	(652,516)	
Grant and program costs	-	5,064,920	-	5,064,920	-	
Occupancy	74,281	3,407	395	78,083	-	
Consultants and contracted services	6,689	5,299	181	12,169	-	
Gasoline	-	-	18,981	18,981	29,105	
Telephone	47,210	5,336	232	52,778	-	
Training and conferences	1,608	10,535	-	12,143	-	
Travel	50,589	17,485	-	68,074	-	
Supplies	16,786	11,138	110	28,034	-	
Insurance and bonding	12,720	10,921	9,957	33,598	28,683	
Maintenance and repairs	11,112	22,113	-	33,225	40,558	
Rentals	6,588	178	-	6,766	6,003	
Depreciation and amortization	70,703	10,953	44,116	125,772	103,569	
Postage and freight	5,227	9,045	-	14,272	-	
Printing	10,498	907	-	11,405	-	
Other expenses	10,123	2,679	23	12,825	25	
Indirect cost allocation	138,698	62,054	28,244	228,996	-	
Total operating expenses	1,217,949	5,595,501	259,619	7,073,069	(444,573)	
Operating (loss) income	(49,211)	284,451	13,998	249,238	528,173	
Transfers in (out)	5,146	-	-	5,146	(794,219)	
Change in net position	(44,065)	284,451	13,998	254,384	(266,046)	
Total net position - beginning	44,065	502,349	406,897	953,311	3,901,882	
Restatement of beginning net position - see Note 14	-	-	-	-	(470,000)	
Net position - beginning of the year, as restated - see Note 14	44,065	502,349	406,897	953,311	3,431,882	
Total net position - ending	\$ -	\$ 786,800	\$ 420,895	\$ 1,207,695	\$ 3,165,836	

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2025

	Misdemeanor	HUD HCV	Enterprise	Total	Governmental Activities	
					Transportation	Internal
Cash Flows from Operating Activities						
Cash received from supervision fees	\$ 1,166,668	\$ -	\$ -	\$ 1,166,668	\$ -	
Cash received from fees	-	2,994	264,003	266,997	152,862	
Cash received from grants	-	5,826,597	-	5,826,597	-	
Cash received from other revenue	-	45,132	-	45,132	83,600	
Cash received from interest	2,070	-	-	2,070	-	
Payments to employees	(578,937)	(278,163)	(119,470)	(976,570)	-	
Payments for fringe benefits	(176,180)	(80,368)	(37,910)	(294,458)	652,516	
Payments to vendors	(320,226)	(5,189,522)	(29,871)	(5,539,619)	699,400	
Payments for indirect costs	(138,698)	(62,054)	(28,244)	(228,996)	-	
Cash flows from operating activities	(45,303)	264,616	48,508	267,821	1,588,378	
Cash Flows from Investing Activities						
Transfers from other funds	5,146	-	-	5,146	(794,219)	
Cash flows from investing activities	5,146	-	-	5,146	(794,219)	
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets			(378,138)	(378,138)	(343,363)	
Leased assets	(2,218)	(52)	-	(2,270)	-	
Proceeds from sale of capital assets	-	-	-	-	5,401	
Cash flows from capital and related financing activities	(2,218)	(52)	(378,138)	(380,408)	(337,962)	
Net Change in Cash and Cash Equivalents	(42,375)	264,564	(329,630)	(107,441)	456,197	
Balance - beginning of the year	47,385	519,055	372,828	939,268	7,067,059	
Balances - end of the year	\$ 5,010	\$ 783,619	\$ 43,198	\$ 831,827	\$ 7,523,256	
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:						
Operating income (loss)	\$ (49,211)	\$ 284,451	\$ 13,998	\$ 249,238	\$ 528,173	
Adjustments						
Depreciation expense	-	7,234	44,116	51,350	145,589	
Gain on disposal of capital assets	-	-	-	-	(5,401)	
Change in assets and liabilities:						
Increase (decrease) in accounts receivable	-	(5,229)	(9,614)	(14,843)	135,810	
Decrease (increase) in prepaid expenditure	(125)	-	-	(125)	17,052	
Increase in accrued compensation	-	-	-	-	59,786	
Increase (decrease) in accounts payable and accrued expenses	4,033	(21,840)	8	(17,799)	707,369	
Net cash flows from operating activities	\$ (45,303)	\$ 264,616	\$ 48,508	\$ 267,821	\$ 1,588,378	

See notes to financial statements.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Net Position

Fiduciary Funds

June 30, 2025

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 1,912,322
Other receivables	2,919
Investments, at fair values (land and buildings)	<u>168,600</u>
Total assets	<u>\$ 2,083,841</u>
Liabilities	
Accounts payable and accrued expenses	\$ 1,596
Assets held for others	<u>106,335</u>
Total liabilities	<u>107,931</u>
Net Position	
Held in trust	<u>1,975,910</u>
Total net position	<u>\$ 1,975,910</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2025

	Custodial Funds
Additions	
Contributions	\$ 654,526
Trust account income	803,673
Grant revenue	-
Interest	<u>90</u>
Total additions	<u>1,458,289</u>
Deductions	
Distributions to beneficiaries	2,766,129
Nursing home/residential care	806,057
Legal	205,540
Living expenses	56,785
Other expenses	159,398
Medical and dental	34,846
Burial expenses	25,689
Insurance	32,405
Taxes	<u>1,647</u>
Total deductions	<u>4,088,496</u>
Change in net position	(2,630,207)
Net position at beginning of year	<u>4,606,117</u>
Net position at end of year	<u>\$ 1,975,910</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements

Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Governing Board consists of:

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

The Public Council consists of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements (Continued)

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

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

ETHRA charges each of the programs an indirect rate of 18% of salaries and fringe costs. In some cases, the rate is limited by the specific program grant.

Implementation of New Accounting Standard - During the year ended June 30, 2025, the Agency implemented GASB Statement No. 101, *Compensated Absences*. This Statement establishes recognition and measurement requirements for compensated absences that are attributable to services already rendered, accumulate, and are not contingent on a future event. The liability is measured using current pay rates as of the financial statement date, including any applicable salary-related costs. The Statement requires retroactive application. The Statement's effect on the financial statements is further explained in Note 14.

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

Date of Management's Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2025, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through January 27, 2026, which is the date these financial statements were available to be issued.

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS

Allowance for Uncollectible Accounts - The allowance for uncollectible accounts is based upon a credit review of the accounts receivable, past debt experience, current economic conditions, and other pertinent factors which form a basis for determining the adequacy of the allowance. The allowance represents an estimate by management based upon these and other factors, and it is at least reasonably possible that a change in the estimate will occur in the near term. No allowance is necessary for grantor or other receivables at June 30, 2025.

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

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

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

NOTE 2 - RECEIVABLES, DEPOSITS, AND INVESTMENTS - (Continued)

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

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

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

NOTE 3 - INTERFUND RECEIVABLE/PAYABLE ACCOUNTS

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

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

NOTE 4 - PREPAID ITEMS

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

NOTE 5 - DEFERRED COMPENSATION PLAN

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

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

Employees may have as much of their gross compensation deducted as they choose, up to the maximum allowed by the Internal Revenue Service. A matching payment is made by ETHRA each payroll period. ETHRA will match any amount up to 5 percent of an employee's gross compensation, depending upon the employee's deduction. Employees can request a loan against their plan balances. Otherwise, the funds are not available to the employee until they are fully vested. Employees are fully vested after three years of service. Forfeitures can be used to pay for certain administrative expenses incurred by the plan. The forfeiture funds can also be used to reduce ETHRA's contributions to the plan, or they can be reallocated back to the remaining eligible participants as an additional contribution. For the year ended June 30, 2025, the Plan had \$13,132 in forfeitures. Employee deferrals for the year ended June 30, 2025, were \$598,347 and ETHRA's matching contribution was \$556,133.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements (Continued)

NOTE 6 - LEASE AGREEMENTS

ETHRA's financial statement include the adoption of GASB Statement No. 87, Leases ("GASB No.87") (see Note 7 for further details). There are certain short-term and month-to-month leases that are not accounted for under GASB 87. ETHRA leases offices and storage space to administer agency programs. All leases are cancelable at ETHRA's option. ETHRA incurred lease payments of \$241,372 in fiscal year 2025. Lease requirements under these agreements for the next five years and thereafter will be approximately as follows:

<u>Year ending June 30,</u>		
2026	\$	<u>250,358</u>

NOTE 7 - LEASES

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

ETHRA has recorded fourteen right of used leased assets. The assets are right of use assets for leased office space and equipment. The right of use lease assets are amortized on a straight-line basis over the terms of the related leases. See Note 8 for right of use asset activity.

Related lease activity for ETHRA for the year ended June 30, 2025 was as follows:

	Balance			Balance 06/30/25	Due Within One Year
	07/01/24	Additions	Payments		
Lease liabilities - governmental	\$ 1,032,758	\$ -	\$ (373,629)	\$ 659,129	\$ 351,868
Lease liabilities - business	<u>160,893</u>	<u>-</u>	<u>(73,547)</u>	<u>87,346</u>	<u>48,764</u>
Total lease liabilities	<u>\$ 1,193,651</u>	<u>\$ -</u>	<u>\$ (447,176)</u>	<u>\$ 746,475</u>	<u>\$ 400,632</u>

The future minimum lease payments as of June 30, 2025, are as follows:

	Principal and Interest Expected to Maturity		
	Government-Type Activities		
<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 351,868	\$ 25,701	\$ 377,569
2027	229,653	10,645	240,298
2028	<u>77,608</u>	<u>2,418</u>	<u>80,026</u>
	<u>\$ 659,129</u>	<u>\$ 38,764</u>	<u>\$ 697,893</u>

	Business-Type Activities		
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 48,764	\$ 3,640	\$ 52,404
2027	21,545	1,706	23,251
2028	<u>17,037</u>	<u>417</u>	<u>17,454</u>
	<u>\$ 87,346</u>	<u>\$ 5,763</u>	<u>\$ 93,109</u>

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

NOTE 8 - CAPITAL ASSET

Governmental and business-type activities' capital asset changes for the year ended June 30, 2025 were as follows:

	<u>Balance</u>	<u>07/01/24</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>06/30/25</u>
Capital Assets not being depreciated:						
Land	\$ 32,614	\$ -	\$ -	\$ -	\$ 32,614	\$ 32,614
Capital Assets being depreciated:						
Building Total	2,869,574	-	-	-	2,869,574	2,869,574
Furniture & Equipment Total	2,367,640	-	-	-	2,367,640	2,367,640
Leasehold Improvements Total	243,382	-	-	-	243,382	243,382
Vehicles Total	7,281,210	1,901,160	(698,928)	8,483,442	8,483,442	8,483,442
Total depreciable capital assets at cost	<u>12,761,806</u>	<u>1,901,160</u>	<u>(698,928)</u>	<u>13,964,038</u>	<u>13,964,038</u>	<u>13,964,038</u>
Less accumulated depreciation for:						
Building Total	(751,524)	(79,019)	-	-	(830,543)	(830,543)
Furniture & Equipment Total	(2,308,938)	(5,563)	-	-	(2,314,501)	(2,314,501)
Leasehold improvements Total	(243,382)	-	-	-	(243,382)	(243,382)
Vehicles Total	(5,564,867)	(857,771)	694,829	694,829	(5,727,809)	(5,727,809)
Total accumulated depreciation	<u>(8,868,711)</u>	<u>(942,353)</u>	<u>694,829</u>	<u>694,829</u>	<u>(9,116,235)</u>	<u>(9,116,235)</u>
Governmental depreciable capital assets, net	<u>3,893,095</u>	<u>958,807</u>	<u>(4,099)</u>	<u>4,847,803</u>	<u>4,847,803</u>	<u>4,847,803</u>
Right-of-use governmental lease assets:						
Leased office space	1,528,717	-	-	-	1,528,717	1,528,717
Leased equipment	256,585	-	-	-	256,585	256,585
Total right-of-use governmental lease assets	<u>1,785,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,785,302</u>	<u>1,785,302</u>
Less accumulated amortization for:						
Leased office space	(662,563)	(283,381)	-	-	(945,944)	(945,944)
Lease equipment	(150,490)	(51,958)	-	-	(202,448)	(202,448)
Total accumulated amortization	<u>(813,053)</u>	<u>(335,339)</u>	<u>-</u>	<u>-</u>	<u>(1,148,392)</u>	<u>(1,148,392)</u>
Total right-of-use governmental lease assets, net	<u>972,249</u>	<u>(335,339)</u>	<u>-</u>	<u>-</u>	<u>636,910</u>	<u>636,910</u>
Total governmental capital assets, net	<u>\$ 4,897,958</u>	<u>\$ 623,468</u>	<u>\$ (4,099)</u>	<u>\$ 5,517,327</u>	<u>\$ 5,517,327</u>	<u>\$ 5,517,327</u>

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Business-type capital assets:

Vehicles	360,807	378,138	-	738,945
Accumulated depreciation	(347,148)	(51,350)	-	(398,498)
Business-type capital assets, net	<u>13,659</u>	<u>326,788</u>	-	<u>340,447</u>
Right-of-use business lease assets:				
Leased office space	271,969	-	-	271,969
Leased equipment	41,130	-	-	41,130
Total right-of-use business lease assets	<u>313,099</u>	<u>-</u>	-	<u>313,099</u>
Less accumulated amortization for:				
Leased office space	(127,414)	(65,893)	-	(193,307)
Lease equipment	(24,123)	(8,328)	-	(32,451)
Total accumulated amortization	<u>(151,537)</u>	<u>(74,221)</u>	-	<u>(225,758)</u>
Total right-of-use business lease assets, net	<u>161,562</u>	<u>(74,221)</u>	-	<u>87,341</u>
Total business capital assets, net	<u>\$ 175,221</u>	<u>\$ 252,567</u>	<u>\$ -</u>	<u>\$ 427,788</u>
Total capital assets, net	<u>\$ 5,073,179</u>	<u>\$ 876,035</u>	<u>\$ (4,099)</u>	<u>\$ 5,945,115</u>

Depreciation expenses for the year ended June 30, 2025 were charged to programs/functions as follows:

Pool	\$ 103,569
Transportation	<u>831,551</u>
Total depreciation and capital expenses governmental activities	<u>935,120</u>
Oak Ridge Transit	<u>7,233</u>
	<u>\$ 942,353</u>

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

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

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

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

NOTE 9 - FUND BALANCE

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

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

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

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

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

There are no committed fund balance amounts for fiscal year 2025.

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

There are no assigned fund balance amounts for fiscal year 2025.

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

	Human	Total	
	Resource	Governmental	
	General	Services	Funds
Nonspendable			
Advances and deposits	\$ 11,742	\$ -	\$ 11,742
Restricted for			
Mountain Valley	- 191,321		191,321
Loan	- 1,222,298		1,222,298
Human Resource Services	- 6,165,192		6,165,192
East Tennessee Foundation			
Investment	29,650	-	29,650
Unassigned	<u>30,046</u>	<u>-</u>	<u>30,046</u>
Total fund balances	<u>\$ 71,438</u>	<u>\$ 7,578,811</u>	<u>\$ 7,650,249</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Notes to Financial Statements (Continued)

NOTE 9 - FUND BALANCE - (Continued)

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

NOTE 10 - COMPENSATED ABSCENCES

ETHRA compensated absences are made up of annual leave and sick leave. Eligible employees accumulate annual leave, ranging from 12 – 24 days per year, based on years of service and is capped at 225 hours. Eligible employees accumulate sick leave, up to 12 days per year, and is capped at 2,000 hours. In addition to this, employees who have been employed for three years are eligible to participate in ETHRA's retirement system. Employees who are in the retirement system and are terminated have 50% of their sick time placed in their retirement account.

The following table shows the net change in compensated absences for the year ended June 30, 2025:

Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
\$ 2,013,011	\$ 59,786	\$ -	\$ 2,072,797	\$ 1,005,004

NOTE 11 - CONTINGENCIES

Litigation - In the normal course of operations, ETHRA could be named as a defendant in various lawsuits. In the opinion management and legal counsel, there are no active lawsuits where the outcome will have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

NOTE 12 - RISK MANAGEMENT

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

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

ETHRA provides basic health, disability, and life insurance coverage for its employees through commercial insurance policies. ETHRA's maximum obligation under the basic health insurance policy is limited to \$921 and \$2,065 per month per employee for single and family coverage, respectively. ETHRA's obligation under the disability and life insurance policies are based on the employee's rate of pay.

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

NOTE 13 - GRANTS

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

NOTE 14 - RESTATEMENT OF BEGINNING BET POSITION AND ADOPTION OF NEW ACCOUNTING STANDARDS

During 2025, ETHRA adopted GASB Statement No. 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. See Note 1 and 10 for additional information about ETHRA's Compensated Absences. As a result of GASB Statement No. 101 adoption, ETHRA has recorded a prior period adjustment to restate its opening net position as of June 30, 2024 to adjust the opening compensated absences balance. The cumulative effect of applying this standard has been reported as a restatement of beginning net position for the year ending June 30, 2024.

The following financial statement line items were affected by the restatement:

Net position at June 30, 2024, as previously reported	\$ 12,438,469
Restatement of Beginning Net Position -	
Implementation of GASB 101, <i>Compensated Absences</i>	<u>(470,000)</u>
Net position at July 1, 2024, as restated	<u>\$ 11,968,469</u>

SUPPLEMENTARY INFORMATION

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Expenditures by Program

Governmental Funds

For the Year Ended June 30, 2025

	General	Aging	ETHRA Aging	Development	Workforce	Title V
Expenditures						
Current						
Salaries	\$ 1,592,668	\$ 2,361,914	\$ 413,832	\$ 1,568,981	\$ 84,058	
Fringe Benefits	497,030	729,029	116,260	491,490	23,860	
Professional Fees	332,222	393,308	100,666	18,090	1,132	
Supplies	130,119	47,963	4,854	39,493	4,401	
Telephone	49,140	66,272	14,376	59,551	2,464	
Postage and Freight	3,605	6,342	330	1,565	1,215	
Equipment Rental & Maintenance	73,499	3,449	4,340	13,138	394	
Printing & Publications	180,178	3,005	3,865	11,015	184	
Travel, Training, Conferences	72,289	302,014	42,741	58,044	5,234	
Insurance	7,093	46,494	18,348	32,520	1,678	
Occupancy	93,639	48,053	22,805	249,220	2,619	
Fuel & Maintenance	-	-	-	-	-	
Grants & Allocations	-	4,078,064	2,004	1,286,208	-	
Participant	-	3,852,008	224,367	1,547,065	663,588	
Capital	-	38,680	-	-	-	
Depreciation	11,245	10,384	1,941	-	429	
Other	12,248	22,023	10,421	213,839	1,930	
Indirect cost allocation	(3,022,248)	549,102	94,659	365,530	19,398	
In-Kind	-	600	76,114	-	134,403	
Total Expenditures	32,727	12,558,704	1,151,923	5,955,749	946,987	
Other Financing Sources (Uses)						
Transfers - match	(48,944)	1,147,931	(1,018,992)	-	95	
Total other financing sources (uses)	(48,944)	1,147,931	(1,018,992)	-	95	
Total expenditures	\$ (16,217)	\$ 13,706,635	\$ 132,931	\$ 5,955,749	\$ 947,082	

See independent auditors' report.

Housing & Restoration	Transportation/ Call Center	Community Corrections	Child Care	Food	Homemaker	Mountain Valley	Loan Program	Total
\$ 340,032	\$ 6,154,760	\$ 676,983	\$ 251,131	\$ 275,631	\$ 190,369	\$ -	\$ 13,910,359	
106,500	1,905,599	214,303	68,981	82,800	52,287	-	4,288,139	
6,194	385,215	1,344	4,285	577	3,944	850	1,247,827	
13,938	49,639	7,397	81,859	4,114	4,238	-	388,015	
5,237	101,201	13,743	6,144	12,825	10,454	-	341,407	
6,926	737	65	895	25	321	15	22,041	
2,625	35,239	3,980	19,344	864	2,533	-	159,405	
963	11,388	1,012	1,112	50	734	-	213,506	
9,895	33,697	47,811	47,244	81,072	17,109	-	717,150	
7,034	452,033	21,662	8,989	5,391	4,444	-	605,686	
11,092	115,497	8,751	5,940	16,143	17,464	-	591,223	
-	1,463,628	-	-	-	-	-	1,463,628	
-	-	-	6,178,782	-	-	-	11,545,058	
4,184,220	-	12,014	-	2,759	35,570	12	10,521,603	
-	664,431	-	-	-	-	-	703,111	
1,618	12,459	462	748	1,067	1,780	-	42,133	
6,207	144,020	41,946	38,925	1,748	37,138	-	530,445	
81,011	1,440,292	99,343	57,099	44,200	42,618	-	(228,996)	
-	-	-	-	-	-	-	211,117	
4,783,492	12,969,835	1,150,816	6,771,478	529,266	421,003	877	47,272,857	
-	(206,800)	(47,199)	7,004	-	-	-	(166,905)	
-	(206,800)	(47,199)	7,004	-	-	-	(166,905)	
\$ 4,783,492	\$ 12,763,035	\$ 1,103,617	\$ 6,778,482	\$ 529,266	\$ 421,003	\$ 877	\$ 47,105,952	

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Non-Cash Assistance

For the Year Ended June 30, 2025

ASSISTANCE PROGRAMS AS IDENTIFIED IN THE ASSISTANCE LISTING NUMBER:

	GRANT #	GRANT #	
	<u>32501-04224</u>	<u>32501-04325</u>	<u>TOTALS</u>
<u>Assistance Listing Number #</u>	10.568	10.568	
<u>PROGRAM NAME</u>	Emergency Food Assistance Program	Emergency Food Assistance Program	
<u>GRANTOR AGENCY</u>	Tennessee Department of Agriculture	Tennessee Department of Agriculture	
<u>Balance 7/1/2024</u>	\$ 20,122	\$ -	\$ 20,122
<u>Receipts</u>	69,906	216,888	286,794
<u>Change in USDA Rate</u> (2)	10,415	-	10,415
<u>Other Additions</u> (3)	57,465	(13,277)	44,188
<u>Commodities Distributed</u>	68,512	213,460	281,972
<u>Other Deductions</u> (4)	-	-	-
<u>Balance 6/30/2025</u>	<u>\$ 89,396</u>	<u>\$ (9,849)</u>	<u>\$ 79,547</u>

- (1) This schedule represents the fair value of noncash assistance based on per unit commodities values provided by the Tennessee Department of Agriculture.
- (2) This amount includes a change in the USDA values for commodities on hand as of 6/30/2025.
- (3) This amount represents a reconciliation between physical inventory and book inventory.
- (4) This amount represents lost and damaged commodities.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 Schedule of Expenditures of Federal Awards and State Grants
 For the Year Ended June 30, 2025

Federal/Pass-through Agency Program Title	ALN
U.S. Department of Agriculture	
Passed through Tennessee Department of Agriculture	
Food Distribution Cluster	
Emergency Food Assistance Program (Administration)	10.568 \$ 59,571
Passed through Tennessee Department of Human Services	
Child and Adult Care Food Program	10.558 1,943,230
Child Nutrition Cluster	
Summer Food Service Program for Children	10.559 5,009,004
Total U. S. Department of Agriculture	<u>\$ 7,011,805</u>
U.S. Department of Housing and Urban Development	
Housing Voucher Cluster	
Section 8 Rental Voucher Program	14.871 \$ 5,159,567
FSS Housing	14.871 82,938
Emergency Housing Vouchers	14.871 225,980
Total 14.871	5,468,485
Mainstream Voucher Program	14.879 380,446
Total Housing Voucher Cluster/Total U. S. Department of Housing and Urban Development	<u>\$ 5,848,931</u>
U.S. Department of Labor	
Passed through Center for Workforce Inclusion	
Senior Community Service Employment-SSAI	17.235 \$ 648,749
Pass through Tennessee Department of Labor and Workforce Development	
Senior Community Service Employment-State	17.235 156,369
Total 17.235	805,118
Unemployment Insurance	17.225 26,208
WIOA Cluster	
Workforce Investment Act Adult Program	17.258 1,664,971
Workforce Investment Act Youth Activities	17.259 1,614,870
Workforce Investment Act National Dislocated Worker	17.277 197,729
Workforce Investment Act Dislocated Worker Formula	17.278 1,600,596
Total WIOA Cluster	5,078,166
Reentry Employment Opportunities	17.270 11,633
Registered Apprenticeship	17.285 113,901
Total U.S. Department of Labor	<u>\$ 6,035,026</u>
U.S. Department of Transportation	
Federal Transit Cluster	
Federal Transit Formula Grants	20.507 \$ 2,308,614
Bus and Bus Facilities Formula	20.526 712,220
Total Federal Transit Cluster	3,020,834
Passed through Tennessee Department of Transportation	
Formula Grants for Other Than Urbanized Areas	20.509 5,928,514
Transit Services Programs Cluster	
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513 372,979
Total U.S. Department of Transportation	<u>\$ 9,322,327</u>

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

Federal/Pass-through Agency Program Title	ALN
U.S. Department of Energy	
Passed through Tennessee Housing Development Agency	
Weatherization Assistance for Low-income Persons	81.042 \$ 268,661
Low Income Heating and Energy Assistance Program	93.568 4,466,450
Total U.S. Department of Energy	<u>\$ 4,735,111</u>
Department of Homeland Security	
Emergency Food and Shelter National Board Program	97.024 \$ 717
Total Department of Homeland Security	<u>\$ 717</u>
U.S. Department of Health and Human Services	
Passed through Tennessee Commission on Aging	
Aging Cluster	
Special Programs for the Aging, Title III, Part B	93.044 \$ 1,515,681
Special Programs for the Aging, Title III, Part B CARES	93.044 103,364
Total 93.044	1,619,045
Special Programs for the Aging, Title III, Part C	93.045 2,428,242
Special Programs for the Aging, Title III, Part C CARES	93.045 937,026
Total 93.045	3,365,268
Nutritional Services Incentive Program	93.053 217,600
Total Aging Cluster	<u>5,201,913</u>
Special Programs for the Aging, Title VII, Chapter 2	93.042 108,500
Special Programs for the Aging, Title III, Part D	93.043 2,357
Special Programs for the Aging, Title III, Part D CARES	93.043 157,633
Total 93.043	268,490
Special Programs for the Aging, Title IV	93.048 30,000
National Caregiver Support, Title III, Part E	93.052 624,630
National Caregiver Support, Title III, Part E CARES	93.052 496,381
Total 93.052	1,121,011
Passed through Tennessee Department of Human Services	
Community Services Block Grant	93.569 347,144
Total Tennessee Department of Human Services	<u>347,144</u>
SNAP Cluster	
State Administrative Matching Grants for the Supplemental	
Nutrition Assistance Program	10.561 93,384
Total SNAP Cluster	<u>93,384</u>
Social Services Block Grant	93.667 532,047
CREST	93.747 444,223
Passed through Office of Criminal Justice Programs	
Crime Victim Assistance	16.575 462,471
Total U.S. Department of Health and Human Services	<u>\$ 8,500,683</u>

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

Federal/Pass-through Agency Program Title	ALN
Centers for Medicare and Medicaid Services	
Passed through Tennessee Commission on Aging	
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779 \$ 110,400
PPACA/MIPPA	93.071 97,780
Total Centers for Medicare and Medicaid Services	<u><u>\$ 208,180</u></u>
Passed through TennCare	
Medicaid Cluster	
Medicaid Assistance Program	93.778 1,137,017
Total Medicaid Cluster	<u><u>\$ 1,137,017</u></u>
Total Federal	<u><u>\$ 42,799,797</u></u>
State and Local Grants	
Aging Services -- III-E Match	N/A \$ 83,400
Senior Centers	N/A 230,100
State Nutrition	N/A 117,800
State Homemaker	N/A 62,600
State Guardianship	N/A 243,193
State Aging - Options	N/A 1,913,762
SMP	N/A 41,667
Options 2.0	N/A 1,826,977
ALZ Respite	N/A 151,747
AJC - DOL	N/A 212,154
AJC - TAA	N/A 15,978
AJC - SNAP	N/A 28,806
AJC - RESEA	N/A 33,010
Summer Youth Employment Program	N/A 488,084
American Apprenticeship	N/A 192,821
AJC - VR	N/A 37,126
Direct Appropriation	N/A 173,440
AJC - TDVA	N/A 12,062
Community Corrections	N/A 807,998
Community Early Intervention	N/A 144,298
FY25 Critical Trips Operating Funds	N/A 777,253
FY25 Urban Operating Assistance Program	N/A 424,500
BOPP	N/A 124,825
Total State and Local	<u><u>\$ 8,143,601</u></u>

ALN = Assistance Listing Number

N/A = Not Applicable

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended June 30, 2025

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state award activity of ETHRA under programs of the federal government for the year ended June 30, 2025. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedules present only a selection portion of the operations of ETHRA they are not intended to and do not present the financial position, change in net position, or cash flows of ETHRA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. ETHRA uses an 18% indirect cost rate approved by the U.S. Department of Housing and Urban Development.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
 HUD Housing Choice Voucher Program Financial Data Schedule
 June 30, 2025

<u>HUD A/C#</u>	<u>HUD HCV</u>
Assets	
111 Cash - unrestricted	\$ 668,224
113 Cash - other restricted	<u>269,481</u>
100 Total Cash	<u>937,705</u>
128 Accounts receivable	<u>44,069</u>
120 Total receivables	<u>44,069</u>
150 Total current assets	<u>981,774</u>
164 Furniture, equipment, & machinery - administration	115,758
166 Accumulated depreciation	<u>(109,333)</u>
160 Total capital assets, net of accumulated depreciation	<u>6,425</u>
180 Total non-current assets	<u>6,425</u>
290 Total assets	<u>\$ 988,199</u>
Liabilities	
312 Account payable less than 90 days	<u>8,156</u>
346 Accrued expenses	<u>-</u>
310 Total current liabilities	<u>8,156</u>
353 Non-current liabilities - other	<u>93,921</u>
350 Total non-current liabilities	<u>93,921</u>
300 Total liabilities	<u>102,077</u>
Net Position	
508.4 Net investment in capital assets	6,425
511.4 Restricted net position	143,558
512.4 Unrestricted net position	<u>736,139</u>
513 Total equity - net assets/position	<u>886,122</u>
600 Total liabilities and equity - net assets/position	<u>\$ 988,199</u>
Line 113 Details	
113-020 FSS escrow deposits	\$ 93,921
113-030 All other funds	<u>175,560</u>
	<u>\$ 269,481</u>

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

<u>HUD A/C#</u>		<u>HUD HCV</u>
	Revenues	
70600	HUD PHA operating grants	\$ 5,862,712
71400	Fraud recovery	-
71500	Other revenue	<u>17,240</u>
70000	Total operating revenues	<u>5,879,952</u>
	Expenses	
	Administrative	
91100	Administrative salaries	234,447
91200	Auditing fees	5,299
91400	Advertising and marketing	332
91500	Employee benefit contributions - administrative	66,563
91600	Office expenses	56,523
91800	Travel	22,532
91810	Allocated overhead	62,054
91900	Other general expenses	<u>2,689</u>
91000	Total operating - administrative	<u>450,439</u>
	Tenant	
92100	Tenant services - salaries	43,716
92300	Employee benefit contributions - tenant services	13,805
92400	Travel and training	<u>5,488</u>
92500	Total tenant services	<u>63,009</u>
	Insurance premiums	
96120	Liability insurance	<u>10,921</u>
96100	Total insurance premiums	<u>10,921</u>
96900	Total operating expenses	<u>524,369</u>
97000	Excess of operating revenue over operating expenses	<u>5,355,583</u>
97300	Housing assistance payments	5,044,189
97350	HAP portability-in	18,042
97400	Depreciation expense	<u>8,901</u>
90000	Total expenses	<u>5,595,501</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ <u>284,451</u>

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

<u>HUD A/C#</u>		<u>HUD HCV</u>
Memo account information		
11030	Beginning equity	\$ 492,136
11170	Administrative fee equity	656,334
11180	Housing assistance payments equity	145,973
11190	Unit months available	10,536
11210	Number of unit months leased	7,443
Line item 70600 details		
70600-010	Housing assistance payments	5,182,127
70600-020	Ongoing administrative fees earned	569,755
70600-031	FSS coordinator grant	<u>110,830</u>
	Total	<u>\$ 5,862,712</u>
Line item 97300 details		
97300-020	Home-ownership	\$ 145,160
97300-040	Tenant protection	8,890
97300-041	Portability-out	62,221
97300-045	FSS escrow deposits	67,986
97300-050	All other	<u>4,759,932</u>
	Total	<u>\$ 5,044,189</u>
Line item 11170 details		
11170-001	Administrative fee equity - beginning balance	\$ 524,295
11170-010	Administrative fee revenue	550,248
11170-021	FSS coordinator	110,830
11170-045	Fraud recovery revenue	-
11170-050	Other revenue	<u>17,188</u>
11170-060	Total admin fee revenues	<u>1,202,561</u>
11170-080	Total operating expenses	524,369
11170-090	Depreciation	8,901
11170-095	Housing assistance payment portability in	<u>18,042</u>
11170-110	Total expenses	<u>551,312</u>
11170-002	Net administrative fee	<u>651,249</u>
11170-003	Administrative fee equity - ending balance	<u>\$ 1,175,544</u>
11170-006	Post - 2003 administrative fee reserves	<u>\$ 1,175,544</u>

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

<u>HUD A/C#</u>	<u>HUD HCV</u>
Line item 11180 details:	
11180-001	\$ 1,226,225
11180-010	5,182,127
11180-015	-
11180-021	_____
11180-030	6,408,352
11180-080	5,044,189
11180-091	_____
11180-100	5,044,189
11180-002	1,364,163
11180-003	<u>\$ 2,590,388</u>
Line item 11190 details:	
11190-210	<u>Total ACC HCV Units</u>
	<u>10,536</u>

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Changes in Lease Obligations

Year Ended June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity		Issued During 7/1/24	Paid and/or Matured					
				Date	Outstanding		During Period	Outstanding 6/30/25				
Governmental Activities - Finance Purchase Obligation Payable												
Payable through General Fund												
Office Space - Blount Realty	\$ 381,528	5%	6/30/2023	6/30/2028	\$ 308,129	\$ -	\$ 71,366	\$ 236,763				
Office Space - Blount Chilhowee	166,750	5%	7/1/2023	9/30/2027	114,967	-	33,410	81,557				
Office Space - Claiborne-BAHT	18,119	5%	7/31/2023	6/30/2025	9,285	-	9,285	-				
Office Space - Cocke-PBDB	17,766	5%	7/31/2023	6/30/2025	9,103	-	9,103	-				
Office Space - Grainger Sun Fresh Produce	20,706	5%	3/31/2024	6/30/2026	17,893	-	8,723	9,170				
Office Space - Hamblen Don Bunch	187,975	5%	7/31/2021	9/30/2027	106,020	-	23,739	82,281				
Office Space - Hamblen-Bunch Family Limited	355,259	5%	7/31/2021	9/30/2026	163,704	-	70,494	93,210				
Office Space - Roane-GLJ LBD	20,020	5%	7/31/2023	6/30/2025	7,009	-	7,009	-				
Office Space - Roane-Terry Hill	248,371	5%	7/31/2021	6/30/2027	133,463	-	42,287	91,176				
Office Space - Scott-Butler	31,697	5%	7/1/2023	6/30/2026	21,654	-	10,557	11,097				
Warehouse - Storage Mullins Warehouse Park	83,949	5%	7/31/2021	5/31/2026	36,937	-	18,830	18,107				
Equipment - Printworks	256,585	5%	7/31/2021	10/31/2026	98,173	-	62,405	35,768				
Total payable through General Fund					\$ 1,026,337	\$ -	\$ 367,208	\$ 659,129				
Business-Type Activities - Finance Purchase Obligations Payable												
Payable through Proprietary Fund												
Office Space - Claiborne-BAHT	\$ 20,631	5%	7/31/2023	6/30/2025	\$ 10,573	\$ -	\$ 10,573	\$ -				
Office Space - Cocke-PBDB	14,465	5%	7/31/2023	6/30/2025	7,414	-	7,414	-				
Office Space - Greene-Douthat	61,715	5%	9/30/2023	6/30/2028	52,108	-	12,069	40,039				
Office Space - Hamblen Don Bunch	84,452	5%	7/31/2021	9/30/2027	47,632	-	19,144	28,488				
Office Space - Hawkins Dena Clonce	39,743	5%	8/31/2021	7/31/2026	17,771	-	8,300	9,471				
Office Space - Roane-GLJ LBD	13,346	5%	7/31/2023	6/30/2025	4,672	-	4,672	-				
Office Space - Union-Teresa Susan Ball Trust	37,617	5%	2/28/2022	6/30/2025	11,681	-	11,681	-				
Equipment - Printworks	41,129	5%	7/31/2021	10/31/2026	15,463	-	6,115	9,348				
Total payable through Proprietary Fund					\$ 167,314	\$ -	\$ 79,968	\$ 87,346				
Total finance purchase obligations payable					\$ 1,193,651	\$ -	\$ 447,176	\$ 746,475				

See independent auditors' report.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Lease Requirements by Year

General Fund and Proprietary Fund

Year Ended June 30, 2025

Governmental Activities:

Year Ended	Blount Realty		Blount Chilhowee		Grainger - Sun Fresh		Produce		Family Limited		Hamblen-Bunch	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,												
2026	\$ 75,018	\$ 10,134	\$ 35,120	\$ 3,280	\$ 9,170	\$ 250	\$ 74,100	\$ 2,978	\$ 27,739	\$ 3,073		
2027	78,856	6,296	36,917	1,473	-	-	19,110	159	45,609	1,410		
2028	54,846	2,263	9,520	80	-	-	-	-	13,242	75		
	<u>\$ 208,720</u>	<u>\$ 18,693</u>	<u>\$ 81,557</u>	<u>\$ 4,833</u>	<u>\$ 9,170</u>	<u>\$ 250</u>	<u>\$ 93,210</u>	<u>\$ 3,137</u>	<u>\$ 86,590</u>	<u>\$ 4,558</u>		

Governmental Activities - (Continued):

Year Ended	Printworks		Roane-Terry Hill		Scott-Butler		Storage-Mullins		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,										
2026	\$ 57,066	\$ 1,678	\$ 44,451	\$ 3,549	\$ 11,097	\$ 303	\$ 18,107	\$ 456	\$ 351,868	\$ 25,701
2027	2,436	22	46,725	1,275	-	-	-	-	229,653	10,635
2028	-	-	-	-	-	-	-	-	77,608	2,418
	<u>\$ 59,502</u>	<u>\$ 1,700</u>	<u>\$ 91,176</u>	<u>\$ 4,824</u>	<u>\$ 11,097</u>	<u>\$ 303</u>	<u>\$ 18,107</u>	<u>\$ 456</u>	<u>\$ 659,129</u>	<u>\$ 38,754</u>

Business Type Activities:

Year Ended	Greene-Douthat		Hamblen-Don Bunch		Clonce		Printworks		Total		Grand Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,												
2026	\$ 12,686	\$ 1,714	\$ 18,207	\$ 1,381	\$ 8,725	\$ 275	\$ 9,146	\$ 270	\$ 48,764	\$ 3,640	400,632	29,341
2027	13,335	1,065	7,073	634	746	4	391	3	21,545	1,706	251,198	12,341
2028	14,018	382	3,019	35	-	-	-	-	17,037	417	94,645	2,835
	<u>\$ 40,039</u>	<u>\$ 3,161</u>	<u>\$ 28,299</u>	<u>\$ 2,050</u>	<u>\$ 9,471</u>	<u>\$ 279</u>	<u>\$ 9,537</u>	<u>\$ 273</u>	<u>\$ 87,346</u>	<u>\$ 5,763</u>	<u>\$ 746,475</u>	<u>\$ 44,517</u>

COMPLIANCE REPORTS



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Tennessee Human Resource Agency, Inc. ("ETHRA") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise ETHRA's basic financial statements, and have issued our report thereon dated January 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ETHRA's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ETHRA's internal control. Accordingly, we do not express an opinion on the effectiveness of ETHRA's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
January 27, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Tennessee Human Resource Agency, Inc. ("ETHRA") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of ETHRA's major federal programs for the year ended June 30, 2025. ETHRA's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, ETHRA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

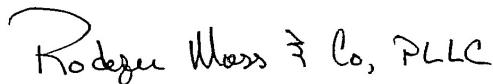
Report on Internal Control Over Compliance

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

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

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

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



Knoxville, Tennessee
January 27, 2026

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

I. Summary of Auditors' Results

Financial Statements

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

Internal Control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

Federal Awards

Internal control over major federal programs:

• Material weakness(es) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
• Significant deficiency(ies) identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

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

• Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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Identification of major federal programs:

ALN Number	Name of Federal Program
93.044	Special Programs for Aging Title III Part B
93.045	Special Programs for Aging Title III Part C
93.053	Nutrition Services Incentive Program
20.507	Federal Transit Formula Grants
20.526	Buses and Bus Facilities Formula
14.871	Section 8 Housing Choice Vouchers
14.879	Mainstream Vouchers
93.778	Medical Assistance Program
20.509	Formula Grants for Rural Areas and Tribal Transit Program

Dollar threshold used to distinguish between type A and type B programs: \$1,283,994

Auditee qualified as low-risk auditee?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None Reported.

EAST TENNESSEE HUMAN RESOURCE AGENCY, INC.
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2024

Findings - Financial Statements Audit

There were no prior findings reported.

Findings and Questioned Costs - Major Federal Award Programs Audit

There were no prior findings reported.