

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS

FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

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For the Year Ended June 30, 2021

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For the Year Ended June 30, 2021

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**ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
ROSTER OF OFFICERS
June 30, 2021**

Office - as of June 30, 2021	Name	Affiliation
President	Larry Chesser	Fort Payne, AL
First Vice President	Bill Newman	Lincoln County, TN
Second Vice President	Lamar Paris	Union County, GA
Secretary	Frank McKee	University of Tennessee County Technical Assistance Services
Immediate Past President	John Gentry	McMinn County, TN
Treasurer	Brent Greer	Henry County, TN
Executive Director	Mike Arms	Tennessee Strategies Knoxville, TN

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Association of Tennessee Valley Governments

We have audited the accompanying financial statements of the Association of Tennessee Valley Governments (a non-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Tennessee Valley Governments as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Association of Tennessee Valley Governments
Independent Auditors' Report

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Roster of Officers, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Blackburn Childers & Steagall, PLLC

BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

March 16, 2022

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
STATEMENT OF FINANCIAL POSITION
June 30, 2021

ASSETS	
Cash	\$ 178,731
Prepaid Expenses	<u>1,037</u>
TOTAL ASSETS	<u><u>179,768</u></u>
NET ASSETS	
Without Donor Restrictions	<u>179,768</u>
TOTAL NET ASSETS	<u><u>\$ 179,768</u></u>

See accompanying notes to the financial statements.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

REVENUE AND SUPPORT

Contributions - Membership Dues	\$ 68,856
Interest Income	486
Reimbursements	1,437
Registration Fees	<u>8,500</u>

Total Revenue and Support	<u>79,279</u>
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EXPENSES

Insurance	4,070
Professional Fees	4,850
Contracted Services	56,000
Office Supplies and Expenses	194
Printing	2,770
Postage	2,573
Telephone	373
Meeting Expense	22,613
Dues and Subscriptions	250
Miscellaneous	121
Travel and Entertainment	<u>4,367</u>

Total Expenses	<u>98,181</u>
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CHANGE IN NET ASSETS	(18,902)
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NET ASSETS, BEGINNING OF FISCAL YEAR	<u>198,670</u>
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NET ASSETS, END OF FISCAL YEAR	<u><u>\$ 179,768</u></u>
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See accompanying notes to the financial statements.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Insurance	\$ 2,035	2,035	4,070
Professional Fees	2,425	2,425	4,850
Contracted Services	28,000	28,000	56,000
Office Supplies and Expenses	-	194	194
Printing	-	2,770	2,770
Postage	-	2,573	2,573
Telephone	-	373	373
Meeting Expense	11,306	11,307	22,613
Dues and Subscriptions	125	125	250
Miscellaneous	60	61	121
Travel and Entertainment	2,183	2,184	4,367
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ 46,134	52,047	98,181
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to the financial statements.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (18,902)
Adjustments to Reconcile Change in Net Assets to Net Cash Used For Operating Activities:	
(Increase) Decrease in Prepaid Expenses	(121)
(Increase) Decrease in Accounts Receivable	<u>6,205</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(12,818)</u>
NET DECREASE IN CASH	(12,818)
CASH AT BEGINNING OF FISCAL YEAR	<u>191,549</u>
CASH AT END OF FISCAL YEAR	<u><u>\$ 178,731</u></u>

See accompanying notes to the financial statements.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - NATURE OF ACTIVITIES

The Association of Tennessee Valley Counties (ATVC) was chartered by the State of Tennessee as a not-for-profit corporation on December 8, 1981. On June 2, 1995, the name was changed to the Association of Tennessee Valley Governments (the Association) to more accurately reflect the mission of the Association. The purpose for which the Association was organized is to improve the communication and understanding between county and city governments in the Tennessee Valley Authority (TVA) region, to develop consistent policies and priorities to enhance the effectiveness of TVA programs applicable to county and city governments, to provide research, support and assistance to the memberships pertaining to local, state and federal programs, policies and laws, and to represent the view of the member counties and cities before the TVA Board of Directors or its staff.

Local government membership in the Association is open to each of the 201 counties plus the incorporated cities/towns that reside within the seven-state TVA region of Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee and Virginia. Each local government member is represented in the Association by the chief elected executive officer or by his/her designated representative. Dues for local government members are based on the 1990 census as follows: Counties dues are calculated as 1.2 cents x 1990 population or \$400/minimum and \$2,200 maximum. Towns/Cities dues are calculated as 25 percent of county payment or \$300 minimum and \$700 maximum. In addition, the Association offers an affiliate membership. The Affiliate Membership program addresses challenges in the seven-state Tennessee Valley region by encouraging a partnership between local governments and the public and private sectors. Membership is open to any corporate, state government, academic, and nonprofit organization that wants to support and be affiliated with the Association. Affiliate members participate fully in the activities of the Association. They are invited to attend meetings and to take an active role in implementing the "Program of Work". Members are recognized in the Association publications and at meetings and events throughout the year.

The Association policy is developed by the Board of Directors. Elected to serve staggered three-year terms, the Association Board members are from each geographical region. In addition, past presidents serve on the Board of Directors.

The day-to-day operations of the Association are the responsibility of the Executive Director.

The Association has no shareholders.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association are reported using the accrual basis of accounting in conformity with generally accepted accounting principles. In the accrual basis of accounting, revenues are generally recognized when earned and expenses are recognized when incurred.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC). The Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Program services revenues include registration fees for annual and quarterly meetings and events. The performance obligation is the actual event being held. Revenues from registration fees are recognized at time the event takes place. Revenues from sponsorships are in essence a contribution to the Association to help defray costs of the program and are recognized when the condition of having the event takes place. Sponsors may receive free admission to the event and revenue would be recognized for the part that represents the free tickets, once the event takes place. If revenue from program service and registration fees are received before the event and are conditioned upon the event's occurrence, these are classified as contract liabilities and are recognized in revenue at the time of the event. Reimbursements are recognized once the Association has billed the third party for goods and services rendered. Membership dues are deemed a contribution as there is no exchange component of the dues. The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Capital Assets

Capital assets are carried at cost less appropriate allowances for depreciation. Depreciation is provided by the straight-line method over the estimated useful lives of the assets ranging from 5-15 years. Maintenance and repairs are charged to expenses as incurred; major renewals, assets and betterments costing at least \$500 are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program, and general and administrative. Such allocations are determined by management on an equitable basis. Management allocated the following natural expense categories based on time and effort spent for each respective function: insurance, professional fees, contracted services, meeting expense, dues and subscriptions, miscellaneous expenses, and travel and entertainment.

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is a nonprofit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code.

Cash

For purposes of the Statement of Cash Flows, the Association considers all cash and cash deposits with initial maturities of three months or less to be cash.

Subsequent Events

The Association has evaluated subsequent events through March 16, 2022, the date which the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association meets cash needs for expenditures primarily with dues received throughout the year. Financial assets available to meet cash needs for general expenditure within one year is as follows:

Cash	<u><u>\$ 178,731</u></u>
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NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment owned by the Association at June 30, 2021 are stated at cost. Items are capitalized which have an estimated useful life of more than a year. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

All assets were fully depreciated as of June 30, 2021.

Office Equipment	\$ 1,657
Accumulated Depreciation	<u>(1,657)</u>
Net Book Value	<u><u>\$ 0</u></u>

ASSOCIATION OF TENNESSEE VALLEY GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - CONCENTRATIONS

The Association receives 87% of its support from local government membership dues. A substantial reduction in the level of this support, should it occur, would have a significant effect on the activities and programs.

NOTE 6 - UNCERTAIN TAX POSITIONS

The Association follows FASB ASC, which provides guidance on accounting for uncertainty in income taxes recognized in an Association's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of June 30, 2021, the Association had no uncertain tax positions that qualify for either recognition or disclosure in the Association's financial statements. The Association's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were recorded during the year ended June 30, 2021.

NOTE 7 - COVID-19

On March 13, 2020, the United States declared a national emergency due to the spread of a coronavirus, COVID-19. This was in response to the World Health Organization characterizing the virus as a pandemic. The Association continues to monitor operations and events in relation to the ongoing pandemic. The extent of the impact of COVID-19 on the Association's operations and finances will depend upon the duration and spread of the outbreak and impacts on members and events of the Association. The extent to which COVID-19 may impact the Association's financial position, changes in net assets and cash flows is uncertain and the accompanying financial statements do not include any adjustments relating to the effects of the pandemic.

NOTE 8 - RELATED PARTY

The Association has a contract for client services with a company owned in part by the executive director. Total paid by the Association to the company for the fiscal year ended June 30, 2021 was \$19,500.

NOTE 9 - ACCOUNTING STANDARD UPDATES

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the year ending June 30, 2023.