

BLOUNT PARTNERSHIP
Maryville, Tennessee
FINANCIAL STATEMENTS
December 31, 2023 and 2022



BLOUNT PARTNERSHIP

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INTRODUCTORY SECTION

BLOUNT PARTNERSHIP
ROSTER OF OFFICIALS
December 31, 2023 and 2022

BOARD MEMBERS

Chris Soro	Chairman
Chuck Alexander	Vice Chairman
Trevis Gardner	
Drew Miles	
Matt Murray	
Greg Wilson	
Tim Seay	
Jewell Overton	
Bryan Cable	

STAFF

Bryan Daniels	President/CEO
Bruce Kerr	Finance Director

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Joint Operating Board
Blount Partnership
Maryville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blount Partnership (a nonprofit organization) (the Partnership), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 the Partnership's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Partnership'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 the Partnership's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Partnership's basic financial statements. The schedules of expenditures of state financial assistance and related notes, as required by the Tennessee Comptroller of the Treasury *Audit Manual*, are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the schedules of expenditures of state financial assistance and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024, on our consideration of the Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partnership's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
September 19, 2024

BLOUNT PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION

	As of December 31,	<u>2023</u>	<u>2022</u>
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$	813,391	\$ 582,512
Accounts Receivable		1,512,500	0
Related Party Receivable		<u>121,302</u>	<u>95,709</u>
Total Current Assets		2,447,193	678,221
NONCURRENT ASSETS			
Property and Equipment, Net		<u>1,614,725</u>	<u>1,638,697</u>
TOTAL ASSETS	\$	<u>4,061,918</u>	\$ <u>2,316,918</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	1,620,631	\$ 24,775
Accrued Payroll Liabilities		49,263	47,191
Due to Related Party		24,435	24,045
Unearned Revenue		66,057	32,928
Notes Payable, Current Portion		<u>58,035</u>	<u>52,472</u>
Total Current Liabilities		1,818,421	181,411
NONCURRENT LIABILITIES			
Notes Payable		<u>426,712</u>	<u>484,747</u>
TOTAL LIABILITIES		<u>2,245,133</u>	<u>666,158</u>
NET ASSETS			
Without Donor Restrictions:			
Undesignated		1,445,306	1,273,528
Board Designated		<u>371,479</u>	<u>377,232</u>
Total Net Assets		<u>1,816,785</u>	<u>1,650,760</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>4,061,918</u>	\$ <u>2,316,918</u>

The accompanying notes are an integral part of these financial statements.

BLOUNT PARTNERSHIP
STATEMENTS OF ACTIVITIES

For the Years Ended December 31,	<u>2023</u>	<u>2022</u>
REVENUES, GAINS AND OTHER SUPPORT		
WITHOUT DONOR RESTRICTIONS		
Member Dues:		
Chamber of Commerce	\$ 1,110,311	\$ 1,083,981
Industrial Development Board	1,075,311	1,065,406
Smoky Mountain Tourism Development Authority	904,683	895,680
Contributions	51,600	812,163
Event Income	47,990	11,455
Grants	1,505,875	9,000,000
Gain on Disposal of Property and Equipment	0	26,173
Other Income	375,657	7,964
Total Revenues, Gains and Other Support	<u>5,071,427</u>	<u>12,902,822</u>
EXPENSES		
Program Services	3,666,300	10,873,742
Support Services	1,239,102	1,172,347
Total Expenses	<u>4,905,402</u>	<u>12,046,089</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	166,025	856,733
NET ASSETS, BEGINNING OF YEAR	<u>1,650,760</u>	<u>794,027</u>
NET ASSETS, END OF YEAR	<u>\$ 1,816,785</u>	<u>\$ 1,650,760</u>

The accompanying notes are an integral part of these financial statements.

BLOUNT PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Support Services</u>	
	Partnership Program	Administrative and General	Total
Salaries	\$ 1,033,226	\$ 779,451	\$ 1,812,677
Payroll Taxes and Benefits	382,298	288,400	670,698
Depreciation	104,849	26,212	131,061
Occupancy	25,370	6,342	31,712
Rent	5,996	1,499	7,495
Utilities	12,814	3,204	16,018
Professional Fees	64,254	7,139	71,393
Legal Fees	10,420	0	10,420
Consulting Fees	16,148	64,594	80,742
Travel Expenses	40,063	4,451	44,514
Repairs and Maintenance	34,010	3,779	37,789
Supplies and Equipment	57,353	6,373	63,726
Telephone and Communication	19,595	8,398	27,993
Printing	5,469	608	6,077
Postage	3,586	398	3,984
Advertising and Public Relations	240,804	26,756	267,560
Interest Expense	15,039	3,760	18,799
Miscellaneous	1,744	6,975	8,719
Bank Fees	191	763	954
Event Expense	93,071	0	93,071
Grant Expense	1,500,000	0	1,500,000
Totals	<u>\$ 3,666,300</u>	<u>\$ 1,239,102</u>	<u>\$ 4,905,402</u>

The accompanying notes are an integral part of these financial statements.

BLOUNT PARTNERSHIP
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Support Services</u>	
	Partnership Program	Administrative and General	Total
Salaries	\$ 966,362	\$ 729,010	\$ 1,695,372
Payroll Taxes and Benefits	370,573	279,555	650,128
Depreciation	95,072	23,768	118,840
Occupancy	29,682	7,420	37,102
Rent	7,021	1,755	8,776
Utilities	13,232	3,308	16,540
Professional Fees	21,809	2,423	24,232
Legal Fees	123	0	123
Consulting Fees	16,887	67,550	84,437
Travel Expenses	23,144	2,572	25,716
Repairs and Maintenance	26,896	2,989	29,885
Supplies and Equipment	44,128	4,903	49,031
Telephone and Communication	18,628	7,984	26,612
Printing	3,626	403	4,029
Postage	5,098	567	5,665
Advertising and Public Relations	158,998	17,667	176,665
Interest Expense	19,073	4,768	23,841
Miscellaneous	3,337	13,349	16,686
Bank Fees	589	2,356	2,945
Event Expense	25,415	0	25,415
Grant Expense	9,000,000	0	9,000,000
Placemaking Project	24,049	0	24,049
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 10,873,742</u>	<u>\$ 1,172,347</u>	<u>\$ 12,046,089</u>

The accompanying notes are an integral part of these financial statements.

BLOUNT PARTNERSHIP
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 166,025	\$ 856,733
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	131,061	118,840
Gain on Sale of Equipment	0	(26,173)
(Increase) Decrease in Assets:		
Accounts Receivable	(1,512,500)	0
Related Party Receivable	(25,593)	(14,335)
Prepaid Expenses	0	9,880
Increase (Decrease) in Liabilities:		
Accounts Payable	1,595,856	(8,045)
Due to Related Party	390	0
Accrued Payroll Liabilities	2,072	6,053
Unearned Revenue	33,129	32,928
Net Cash Provided by Operating Activities	<u>390,440</u>	<u>975,881</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(107,089)	(123,411)
Proceeds from Sale of Equipment	0	30,000
Net Cash Used In Investing Activities	<u>(107,089)</u>	<u>(93,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(52,472)	(879,937)
Net Cash Used In Financing Activities	<u>(52,472)</u>	<u>(879,937)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	230,879	2,533
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>582,512</u>	<u>579,979</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 813,391</u>	<u>\$ 582,512</u>
Supplementary Disclosure of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	\$ 18,799	\$ 23,841
Supplementary Disclosure of Non-Cash Activities:		
Purchases of Property and Equipment with Notes Payable	\$ 0	\$ 497,056

The accompanying notes are an integral part of these financial statements.

BLOUNT PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization - Blount Partnership (the Partnership) is a cooperative effort between four of Blount County's key development organizations: the Industrial Development Board of Blount County and the cities of Alcoa and Maryville, Tennessee (the Board); Blount County Chamber of Commerce (the Chamber); Smoky Mountain Tourism Development Authority (the Authority); and the Blount County Chamber Foundation (the Foundation). The Partnership has received national recognition for its innovation and effectiveness.

Although each of these organizations have a different focus, all share in the goal of bringing increased prosperity to Blount County. All of the organizations of the Blount Partnership understand the value of the synergies which can be created by working together and with other governmental agencies to achieve this common objective. Each of the organizations within the Blount Partnership maintains its own identity and operates on a separate budget. But, for greater efficiency, all share professional staff, administrative support, information and technology resources, and physical facilities.

Basis of Accounting - The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Financial Accounting Standards Board (FASB). The financial statements are prepared on the accrual basis of accounting.

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These estimates are based on management's knowledge of current events and actions they may undertake in the future. Accordingly, actual results could vary from those estimates.

Financial Statement Presentation - The Partnership is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Partnership does not have any donor-imposed net asset restrictions.

Contributions - Contributions are recorded with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as such in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets without donor restrictions.

Revenue Recognition - Revenue from Exchange Transactions: The Partnership recognizes revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Partnership records the following exchange transaction revenue in its statement of activities for the years ending December 31, 2023 and 2022:

Member Dues - Member dues consist of amounts remitted to the Partnership by the Chamber, the Authority and the Board as reimbursement for administrative support services and processing payroll. Amounts are billed to the members quarterly. As a practical expedient, the Partnership recognizes revenue in the amounts to which it has a right to bill the member for the administrative services provided. Payments for administrative support services and processing payroll received for future periods are recorded as a contract liability, unearned revenue, until earned.

Grant Awards - Grant revenue is recognized as the Partnership incurs expenses eligible for reimbursement under grant agreements. Grant activities can be subject to audit and acceptance by the granting agency and, as a result of these reviews, adjustments could be required.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Partnership considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable consist of monies owed to the Partnership by unrelated parties. Receivables are stated at the amount management expects to collect from outstanding balances. The Partnership calculates expected credit losses for accounts receivable based on historical credit loss rates as adjusted for the current market conditions and forecasts about future economic conditions. Management has determined the allowance for credit losses to be immaterial. Accordingly, no allowance for credit losses was recorded as of December 31, 2023 and 2022.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method and is based on estimated useful lives of 3 to 25 years.

Functional Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are charged to the various program services and administrative function based on direct expenses incurred. Indirect expenses are allocated among the program and supporting service benefited.

Advertising and Public Relations - Advertising costs are expensed when incurred. Advertising and public relations expense was \$267,560 and \$176,665 for 2023 and 2022, respectively.

Income Taxes Status - The Partnership is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the code. There was no unrelated business income in the years ending December 31, 2023 and 2022. The Partnership files annual returns of organizations exempt from income taxes with the Internal Revenue Service (IRS).

Recently Adopted Accounting Pronouncements - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. Financial assets held by the Partnership that are subject to the guidance in the ASU are accounts receivable not from related parties. The Partnership adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosure only.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The Partnership adopted the standard effective January 1, 2022. The adoption of ASU 2016-02 did not have a material impact on the Partnership's financial statements.

Subsequent Events - Management has evaluated subsequent events through September 19, 2024, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are held by local banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Partnership's cash held at local banks exceeds the FDIC insured amount by \$495,173 and \$267,783 as of December 31, 2023 and 2022, respectively.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End	\$ 813,391	\$ 582,512
Less Those Unavailable for General Expenditures Within One Year Due to:		
Designations by Board	<u>(371,479)</u>	<u>(377,232)</u>
 Total Financial Assets Available to Meet General Expenditures Within the Next 12 Months	 <u>\$ 441,912</u>	 <u>\$ 205,280</u>

Amounts reported above as Designated by Board are designated for specific purposes (See Note 6). Funds designated by the Board are not subject to donor restrictions and could be made available if necessary. As part of the Partnership's liquidity management, the Partnership operates with a balanced budget and anticipates collecting sufficient revenue to cover cash expenditures.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 538,254	\$ 538,254
Appliances	12,740	12,740
Computer Equipment	56,219	45,747
Electronic Media Equipment	180,957	155,920
Mowing Equipment	154,456	135,514
Office Furniture and Fixture	285,175	244,980
Signage	72,039	72,039
Vehicles	134,141	134,141
Building and Renovations	<u>1,015,357</u>	<u>1,002,915</u>
	2,449,338	2,342,250
Less Accumulated Depreciation	<u>(834,613)</u>	<u>(703,553)</u>
	<u>\$ 1,614,725</u>	<u>\$ 1,638,697</u>

Depreciation expense amounted to \$131,061 and \$118,840 for 2023 and 2022, respectively.

NOTE 5 - NOTES PAYABLE

Notes payable as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Note payable, due in monthly installments of \$3,038 including interest at 2.99%. Balloon payment due April 2027. Secured by real property.	\$ 399,402	\$ 421,405
Note payable, due in monthly installments of \$1,384 including interest at 6.69%, through December 2026, secured by a vehicle.	46,270	58,156
Note payable, due in monthly installments of \$579 including interest at 4.49%, through August 2026, secured by a vehicle.	17,436	22,972
Note payable, due in monthly installments of \$713 including interest at 0% through November 2025, secured by a tractor.	16,399	24,955
Note payable, due in monthly installments of \$374 including interest at 0% through February 2025, secured by a tractor.	<u>5,240</u>	<u>9,731</u>
	484,747	537,219
Less Current Portion, Due within One Year	<u>(58,035)</u>	<u>(52,472)</u>
	<u>\$ 426,712</u>	<u>\$ 484,747</u>

Maturities of notes payable as of December 31, 2023 are as follows:

Year Ending December 31,	<u>Amount</u>
2024	\$ 58,035
2025	55,636
2026	48,015
2027	<u>323,061</u>
	<u>\$ 484,747</u>

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Designated by the Board for:		
Equipment Reserve	\$ 136,856	\$ 136,932
Building Reserve	219,623	225,240
Memorial Contribution	15,000	15,000
Other	<u>0</u>	<u>60</u>
	<u>\$ 371,479</u>	<u>\$ 377,232</u>

NOTE 7 - OPERATING LEASES

The Partnership leases office equipment under two lease agreement for total payments of \$541 per month that expire at various times through 2027. Lease expense for the years ended December 31, 2023 and 2022 was \$7,495 and \$8,776, respectively. Future minimum lease payments under noncancelable leases total \$19,227 through 2027. The Partnership also leases office space from the Chamber for a nominal amount.

NOTE 8 - RELATED PARTY TRANSACTIONS

As mentioned in Note 1, the Partnership is a joint venture between the Chamber, the Authority and the Board. The Chamber, the Authority and the Board are required to contribute operating capital needed to pay the operating expenses of the Partnership, as determined annually by the board of the Partnership. For the years ended December 31, 2023 and 2022, the Chamber, the Authority and the Board contributed \$826,724 and \$719,124, respectively, to the Partnership for operating expenses. In addition, during the years ended December 31, 2023 and 2022, the Chamber, the Authority and the Board reimbursed the Partnership \$2,263,582 and \$2,325,943, respectively, for payroll related expenses provided by the Partnership. Lastly, during 2022, the Chamber, the Authority and the Board contributed \$812,163 in total to the Partnership to pay for renovations to the Partnership's facilities.

NOTE 9 - RETIREMENT PLAN

The Partnership maintains a 401(k) profit sharing plan, to which employees may elect to contribute up to Internal Revenue Code limitations. The Partnership makes safe harbor employer contributions of 100% of employee contributions up to 3% of eligible compensation and matching contributions of 50% of employee contributions from 3% to 5% of eligible compensation. The Partnership recorded retirement plan expense of \$163,036 and \$158,569 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 - STATE GRANTS

In 2021 and 2022, the Partnership was awarded two economic and community development reimbursement grants from the State of Tennessee totaling \$10,500,000. These grants were used to fund facility improvements and new building construction for two companies in Blount County. The Partnership recorded grant revenues and expenses of \$9,000,000 in 2022 and \$1,500,000 in 2023. As of December 31, 2023, the Partnership had a grant receivable from the State of Tennessee of \$1,500,000.

SUPPLEMENTARY INFORMATION SECTION

BLOUNT PARTNERSHIP
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2023

<u>State Grantor Program</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>				
Tennessee Department of Economic and Community Development				
FastTrack Economic Development Grant Program	N/A	73089	\$ 0	\$ 1,500,000
Total State Financial Assistance			\$ 0	\$ 1,500,000

BLOUNT PARTNERSHIP
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended December 31, 2022

<u>State Grantor Program</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>State Financial Assistance</u>				
Tennessee Department of Economic and Community Development				
FastTrack Economic Development Grant Program	N/A	75156	\$ 0	\$ 9,000,000
Total State Financial Assistance			\$ 0	\$ 9,000,000

BLOUNT PARTNERSHIP

NOTES TO THE SCHEDULES OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

For the Years Ended December 31, 2023 and 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state grant activity of Blount Partnership (the Partnership) for the years ended December 31, 2023 and 2022. The information in this Schedule is presented in accordance with the requirements of the Tennessee Comptroller of the Treasury *Audit Manual*. Because the Schedule presents only a selected portion of the operation of the Partnership, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Partnership.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the individual grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Joint Operating Board
Blount Partnership
Maryville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards), the financial statements of Blount Partnership (the Partnership), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Partnership'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

Partnership's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Partnership's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Partnership's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Partnership'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.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
September 19, 2024

BLOUNT PARTNERSHIP
SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended December 31, 2023

2023-001 Grant Accounting and Reporting

Criteria or Specific Requirement - Grant contracts with the State of Tennessee require a grant recipient who receives more than \$500,000 in state grants to file their audited financial statements with the Tennessee Comptroller of the Treasurer within six months of year end. In addition, generally accepted accounting principles require that grant revenues and expenses be shown at gross instead of net on the statement of activities.

Condition - During our audit we noted that the Blount Partnership received and expended \$9,000,000 of state financial assistance in 2022, however, the Partnership did not file their 2022 audited financial statements with the Comptroller of the Treasurer within six months of year end. In addition, we noted that no amounts were reported for grant revenues and expenses on the statement of activities for the years ended December 31, 2022 and 2023.

Cause and Effect - Management was unaware of the requirement to file their audited financial statements with the Comptroller of the Treasurer. In addition, management was unaware of the need to show grant revenues and expenses at gross instead of net. The result was the financial statements for the year ended December 31, 2022 and 2023 were misstated and the Partnership was not in compliance with their grant contracts with the State of Tennessee.

Recommendation - We recommend establishing policies and procedures to ensure that grant revenues and expenses are reported correctly in the financial statements and that grant terms and conditions are thoroughly monitored for compliance.

Management's Response - We will institute direct action to resolve and correct this situation to include: review of all state grant receipts annually to determine if the reporting threshold for Tennessee has been reached and, if so, send the appropriate reports to the Comptroller's Office in a timely manner.



Blount Partnership

BLOUNT PARTNERSHIP

MANAGEMENT'S CORRECTIVE ACTION PLAN

For the Year Ended December 31, 2023

Finding: 2023-001 Grant Accounting and Reporting

Person Responsible for Implementing the Corrective Action:

Bruce Kerr, CFO, Director of Accounting & Human Resources

Corrective Action Planned: We will institute direct action to resolve and correct this situation to include:

- Review of all state grant receipts annually to determine if the reporting threshold for Tennessee has been reached and, if so, send the appropriate reports to the Comptroller's Office in a timely manner.

Completion Date of Corrective Action:

September 30, 2024

Bruce Kerr, CFO, Director of Accounting & Human Resources

9-19-2024

Date