



JASON E. MUMPOWER  
*Comptroller*

## Independent Auditor's Report

Members of the General Assembly  
Members of the Board of Trustees  
The Honorable David H. Lillard, Jr., Treasurer

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying statement of fiduciary net position of the Achieving a Better Life Experience (ABLE TN) Program, a private-purpose trust fund of the State of Tennessee, as of June 30, 2023, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Achieving a Better Life Experience (ABLE TN) Program's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Achieving a Better Life Experience (ABLE TN) Program as of June 30, 2023, and the changes in fiduciary net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis of Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Achieving a Better Life Experience (ABLE TN) Program 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 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.

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 Achieving a Better Life Experience (ABLE TN) Program'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.

## *Auditor's Responsibility 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 Achieving a Better Life Experience (ABLE TN) Program'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 Achieving a Better Life Experience (ABLE TN) Program'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.

### *Emphasis of Matter*

As discussed in Note A.1, the financial statements present only the Achieving a Better Life Experience (ABLE TN) Program, a private-purpose trust fund, and do not purport to, and do not, present fairly the financial position of the State of Tennessee, as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the Achieving a Better Life Experience (ABLE TN) Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is 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 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 Achieving a Better Life Experience (ABLE TN) Program's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director  
Division of State Audit  
December 12, 2023

ABLE TN  
Achieving a Better Life Experience Plan  
Statement of Fiduciary Net Position  
June 30, 2023

ASSETS

Cash and Cash Equivalents	\$	14,120,829
Investments at Fair Value		<u>28,924,120</u>
TOTAL ASSETS		<u>43,044,949</u>
TOTAL LIABILITIES		<u>0</u>
NET POSITION - RESTRICTED FOR PLAN PARTICIPANTS	\$	<u><u>43,044,949</u></u>

*See accompanying Notes to the Financial Statements*

ABLE TN  
 Achieving a Better Life Experience Plan  
 Statement of Changes in Fiduciary Net Position  
 For Fiscal Year Ended June 30, 2023

ADDITIONS

Contributions	\$ 8,493,237
Investment Income (Loss)	3,706,233

TOTAL ADDITIONS	<u>12,199,470</u>
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DEDUCTIONS

Withdrawals	4,432,411
Administrative Cost	77,333

TOTAL DEDUCTIONS	<u>4,509,744</u>
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CHANGE IN NET POSITION	7,689,726
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NET POSITION - RESTRICTED FOR PLAN PARTICIPANTS

BEGINNING OF YEAR	35,355,223
END OF YEAR	<u>\$ 43,044,949</u>

*See accompanying Notes to the Financial Statements*

ABLE TN  
Achieving a Better Life Experience Program  
Notes to the Financial Statements  
June 30, 2023

## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1. Reporting Entity**

The Tennessee Achieving a Better Life Experience (ABLE TN) Program (the “Program”) is included in the State of Tennessee financial reporting entity. Because of the state’s fiduciary responsibility, the Program has been included in the *Tennessee Annual Comprehensive Financial Report* as a private-purpose trust fund. That report is available on the state’s website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

### **2. Measurement Focus and Basis of Accounting**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

### **3. Cash and Cash Equivalents**

Cash and cash equivalents include cash and short-term investments with a maturity date within three months of the acquisition date. Cash management pools are included as cash. Cash received that cannot be immediately invested in securities, or that is needed for operations, is invested in the State Pooled Investment Fund sponsored by the State of Tennessee and administered by the State Treasurer.

### **4. Method Used to Value Investments**

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. The fair value of investments in open-end mutual funds is based on the share price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on trade-date basis.

The fair value of assets held at June 30, 2023 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or

similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management developed a fair value committee that worked in conjunction with our custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date.

**Investments Measured at Fair Value  
For Fiscal Year Ended June 30, 2023  
*Expressed in Thousands***

Investments	GAAP Hierarchy Level 1
Mutual Funds	\$ 28,924
TOTAL INVESTMENTS AT FAIR VALUE	28,924
Cash and Cash Equivalents	\$ 14,121
TOTAL FINANCIAL STATEMENT ASSETS	43,045

**B: DEPOSITS AND INVESTMENTS**

In accordance with State statute, the State Treasurer maintains the powers and authorities necessary and convenient to carry out the purposes and objectives of ABLE TN including providing investment options or investment products for eligible individuals who have established an ABLE account.

Recognizing that program participants may have an investment horizon ranging from a few months to more than twenty years, the State Treasurer has selected a group of investment products that have an investment risk profile ranging from conservative to aggressive. The investment products selected are evaluated based on several factors including but not limited to fees, investment performance, investment strategy, and any available ratings of the products to Program participants who select the options that suit their individual investment needs.

Cash received that cannot be immediately invested in securities, or that is needed for operations, is invested in the State Pooled Investment Fund. The State Pooled Investment Fund is not rated by a nationally recognized statistical ratings agency. The investment policy and required risk disclosures relative to the State Pooled Investment Fund are presented in the State Pooled Investment Fund Report. That report is available on the state’s website at <https://treasury.tn.gov>.

## **C: DESCRIPTION OF THE PROGRAM**

The ABLE TN program was created under *Tennessee Code Annotated*, Title 71, Chapter 4, Part 8 and is a savings program designed to help individuals with disabilities put aside money to pay for qualified expenses. These accounts provide the opportunity to save and invest, with tax-free earnings, to help participants maintain independence and quality of life. The Trustees are empowered under the Statute to develop a plan to carry out the purposes and objectives of the Program. The State Treasurer has the authority to establish and develop ABLE TN, including the implementation, administration, operation, marketing, investment options, customer service, and investment management services of the Program, in the form of a plan, as approved by the Trustees. The Statute provides for the powers and authorities of the State Treasurer that are necessary and convenient to carry out the purposes and objectives of ABLE TN. The ABLE TN program began operations on May 18, 2015.

Upon opening an account, eligible participants may choose to invest in any of the Program’s available investment options based on their own objectives and strategies. The complete list of available investment options at June 30, 2023 are listed below:

Fund Name	Ticker Symbol
DoubLine Shiller Enhanced CAPE-I	DSEEX
PRIMECAP Odyssey Aggressive Growth	POAGX
Emerging Markets Stock Index Fund Admiral Shares	VEMAX
Vanguard Real Estate Index Fund	VGSLX
Vanguard Total Stock Market Fund	VITSX
Vanguard Small-Cap Index Fund	VSMAX
Vanguard Total International Stock Index Fund	VTSNX
Vanguard Wellington Admiral	VWENX
Vanguard Total Bond Market Index I	VBTIX
Vanguard Short-Term Corporate Bond Index Fund	VSCSX
Vanguard Total International Bond Index Fund	VTIFX
Vanguard Short-Term Inflation Protected Securities Index Fund	VTSPX
Vanguard High-Yield Corporate Fund	VWEAX
Vanguard Federal Money Market Fund	VMFXX
Western Asset Core Plus Bond Fund	WACPX



Participants in the Program can make withdrawals at any time after contributions have been invested for 10 days. Withdrawals used for qualifying disability expenses receive certain tax incentives; additionally, those not used for qualifying disability expenses receive certain tax penalties based on the participant's individual circumstances.

Participants are charged the pure cost of the underlying mutual fund expense ratio plus a flat 20 basis points fee for the program management to arrive at an annual asset-based fee.

## **D: OTHER ACCOUNTING DISCLOSURES**

### **Third Party Administration**

Effective February 26, 2018, the State contracted with Ascensus College Savings Recordkeeping Services, LLC for the provision of recordkeeping services for the ABLE TN Program.

### **Unit Valuation**

Each account owner's interest in an investment option is evidenced by a whole or fractional unit. The value of a unit in an investment option is calculated daily based on the fair market value of the underlying investment assets, adjusted for the net effects of transactions such as accrued administrative fees, contribution and withdrawal requests approved but not processed, or investment income that has not yet been reinvested. This value, known as the net asset value, is divided by the total number of units outstanding to determine the net asset value per unit. The value of an account owner's interest in an investment option is determined by multiplying the number of units owned by the net asset value per unit.