TENNESSEE JUSTICE CENTER, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
TABLE OF CONTENTS

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Tennessee Justice Center, Inc. and Affiliate
Nashville, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Tennessee Justice Center, Inc. and affiliate (a nonprofit organization) which comprise the consolidated statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2021 and 2020, and the related consolidated statements of revenues, expenses, and other changes in net assets – modified cash basis and cash flows – modified cash basis for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Tennessee Justice Center, Inc. and affiliate as of December 31, 2021 and 2020, and their revenues, expenses, and other changes in net assets and cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Tennessee Justice Center, Inc. and affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

Cherry Bekaert LLP

Nashville, Tennessee
July 29, 2022

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS – MODIFIED CASH BASIS

DECEMBER 31, 2021 AND 2020

		2021		2020
ASSETS				
Current Assets:				
Cash and cash equivalents	$	2,253,851	$	786,836
Investments		1,723,261		1,539,701
Total Current Assets		3,977,112		2,326,537
Property and Equipment, net		2,004,600		113,022
Total Assets	$	5,981,712	$	2,439,559
Liabilities				
Current Liabilities:				
Paycheck Protection Program note payable	$	-	$	281,153
Total Liabilities		-		281,153
Net Assets				
Without Donor Restrictions:				
Undesignated		2,754,670		1,704,087
Board designated		250,000		250,000
Total Without Donor Restrictions		3,004,670		1,954,087
With Donor Restrictions		2,977,042		204,319
Total Net Assets		5,981,712		2,158,406
Total Liabilities and Net Assets	$	5,981,712	$	2,439,559

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

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Changes in Consolidated Net Assets Without Donor Restrictions:		
Revenues Without Donor Restrictions:		
Contributions and foundation grants	$ 2,535,511	$ 2,061,340
Released from restriction for purpose accomplished, net	125,665	192,632
Dividends and investment income	22,385	21,211
Contract revenue	34,445	14,525
Attorneys' fee awards	260,062	-
Miscellaneous revenue	480	650
Realized/unrealized gain on investments	148,118	96,584
Paycheck Protection Program forgiveness	281,153	-
Total Revenues Without Donor Restrictions	3,407,819	2,386,942
Expenses Paid:		
Salaries and benefits	1,966,993	1,705,532
Professional fees and other	128,580	93,016
Audit	16,115	9,657
Copies and printing	8,159	6,213
Insurance	10,371	10,070
Dues	6,869	3,930
Postage	8,941	6,104
Licenses and fees	7,307	6,784
Occupancy	1,704	130,096
Fundraising, events, and other	50,210	55,275
Other	36,225	27,736
Training	8,898	20,366
Grants	60,004	30,000
Depreciation	18,798	13,638
Travel	580	3,088
Moving	27,482	-
Total Expenses Paid	2,357,236	2,121,505
Change in Net Assets Without Donor Restrictions	1,050,583	265,437
Changes in Consolidated Net Assets With Donor Restrictions:		
Foundation grants and Capital Campaign contributions	2,898,388	274,616
Released from restriction for purpose accomplished	(125,665)	(192,632)
Change in Net Assets With Donor Restrictions	2,772,723	81,984
Change in net assets - modified cash basis	3,823,306	347,421
Net assets - modified cash basis, beginning of year	2,158,406	1,810,985
Net assets - modified cash basis, end of year	$ 5,981,712	$ 2,158,406

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

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS –
MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets - modified cash basis	$ 3,823,306	$ 347,421
Adjustments to reconcile change in net assets - modified cash basis to net cash flows from operating activities:		
Depreciation	18,798	13,638
Realized/unrealized gain on investments	(148,118)	(96,584)
Paycheck Protection Program forgiveness	(281,153)	-
Loss on disposition of property and equipment	3,010	-
Net cash flows from operating activities	3,415,843	264,475
Cash flows from investing activities:		
Purchases of property and equipment	(1,913,398)	(53,953)
Escrow deposit	-	(50,000)
Purchases of investments	(35,430)	(17,814)
Net cash flows from investing activities	(1,948,828)	(121,767)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program note payable	-	281,153
Net cash flows from financing activities	-	281,153
Change in cash and cash equivalents	1,467,015	423,861
Cash and cash equivalents, beginning of year	786,836	362,975
Cash and cash equivalents, end of year	$ 2,253,851	$ 786,836

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

Note 1—Nature of activities and summary of significant accounting policies

Nature of Activities – Tennessee Justice Center, Inc. ("TJC") is a nonprofit corporation established to provide free or below-cost civil legal services to indigent Tennesseans, through advocacy of all types, all in accordance with the statutes of Tennessee and the Rules of Professional Conduct, as adopted by the Supreme Court of Tennessee. Such legal services shall be provided with funds provided by both public and private sources, and through voluntary services. TJC's office is located in Nashville, Tennessee, from which it serves clients throughout Tennessee.

TJC owns a 100% membership interest in TN Justice Properties, Inc. ("TJP"). TJP was formed in May 2021 as a supporting organization of Tennessee Justice Center, Inc. TJP's assets at December 31, 2021 consist of land and building purchased during 2021 at 155 Lafayette Street, Nashville, TN (see Note 10).

Basis of Presentation – Tennessee Justice Center, Inc. and affiliate (the "Organization") prepares its consolidated financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. In addition, the Organization records investments and office furniture and equipment and related depreciation.

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Board-Designated Net Assets – Net assets that are subject to stipulations imposed by the board. As of December 31, 2021 and 2020, the Organization has designated $250,000 for the purchase and buildout of a building at 155 Lafayette Street in Nashville, Tennessee.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets that were perpetual in nature at December 31, 2021 and 2020.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of revenues, expenses, and other changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At times throughout the year, the Organization's cash in bank accounts may be in excess of federally insured limits.

Principles of Consolidation- The Organization's consolidated financial statements include the accounts of TJC and TJP. All significant intercompany accounts and transactions have been eliminated.

Note 1—Nature of activities and summary of significant accounting policies (continued)

Property and Equipment – Property and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives of office furniture and equipment range from three to seven years. The property at 155 Lafayette Street, Nashville, Tennessee is under construction and not available for use.

Income Taxes – TJC has qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, therefore, is not subject to federal income tax. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. In addition, TJC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. TJP, as a supporting organization, qualifies as a tax exempt entity under Section 501 (c) (3).

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance concerning the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying consolidated financial statements.

Use of Estimates – The preparation of consolidated financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Allocation of Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis (see Note 9). While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and benefits expense which are allocated based on time and effort.

Note 2—Liquidity and availability of resources

The Organization has a goal to structure its consolidated financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The table below represents consolidated financial assets available for general expenditures within one year at December 31:

	2021	2020
Financial assets at year-end:		
Cash	$ 2,253,851	$ 786,836
Investments	1,723,261	1,539,701
Total financial assets at year-end	3,977,112	2,326,537
Less amounts not available to be used for general expenditures within one year:		
Board-designated net assets	250,000	250,000
Funds restricted by donors to be used for a specific purpose	2,977,042	204,319
Financial assets not available to be used within one year	3,227,042	454,319
Financial assets available to meet general expenditures within one year	$ 750,070	$ 1,872,218

Note 3—Fair value measurements and investments

The Organization has adopted the fair value measurement topic of FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Note 3—Fair value measurements and investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the Organization's valuation techniques during 2021 and 2020. A description of the valuation methodologies used for assets measured at fair value is as follows:

Money Market Instruments – Valued at the net asset value of shares held by the Organization at year-end.

Mutual Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 143,130	$ -	$ -	$ 143,130
Mutual funds:				
Intermediate term bond	283,092	-	-	283,092
Short term bond	201,674	-	-	201,674
Foreign large blend	166,875	-	-	166,875
Large value	192,679	-	-	192,679
Small value	225,173	-	-	225,173
Large blend	148,775	-	-	148,775
Diversified emerging markets	81,806	-	-	81,806
Foreign small/mid blend	86,828	-	-	86,828
Small blend	117,915	-	-	117,915
Real estate	75,314	-	-	75,314
Total mutual funds	1,580,131	-	-	1,580,131
Total investments at fair value	$ 1,723,261	$ -	$ -	$ 1,723,261

Note 3—Fair value measurements and investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31:

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 107,689	$ -	$ -	$ 107,689
Mutual funds:				
Intermediate term bond	299,759	-	-	299,759
Short term bond	206,616	-	-	206,616
Foreign large blend	154,593	-	-	154,593
Large value	155,843	-	-	155,843
Small value	179,030	-	-	179,030
Large blend	117,229	-	-	117,229
Diversified emerging markets	83,162	-	-	83,162
Foreign small/mid blend	79,158	-	-	79,158
Small blend	101,431	-	-	101,431
Real estate	55,191	-	-	55,191
Total mutual funds	1,432,012	-	-	1,432,012
Total investments at fair value	$ 1,539,701	$ -	$ -	$ 1,539,701

During 2021 and 2020, interest and dividends from investments totaled $22,385 and $21,211, respectively. Net realized and unrealized gain on investments totaled $148,118 and $96,584 for the years ended December 31, 2021 and 2020, respectively.

Note 4—Note payable Paycheck Protection Program loan

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Organization applied for and received a Paycheck Protection Program loan in April 2020, totaling $281,153. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of five years with an interest rate of 1%. In August 2021, the loan of $281,153 plus accrued interest, was fully forgiven. Management recognized PPP forgiveness income on the accompanying 2021 statement of revenue, expenses, and other changes in net assets.

Note 5—Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	2021	2020
Capital campaign contributions	$ 2,838,764	$ 142,996
Melkus Fellowship	50,000	31,038
King Child Fellowship	47,820	28,424
King Nutrition Fellowship	40,458	-
Warfield CHOICES Fellowship	-	1,861
	$ 2,977,042	$ 204,319

Note 6—Concentrations

The Organization receives support from various foundations, corporate, and individual donors. During the year ended December 31, 2021, no donor contributed more than 10% of the Organization's revenues. During the year ended December 31, 2020, the Organization received $497,000, approximately 18% of revenues, from two grantors. A reduction in such amounts could have a significant effect on the Organization's activities.

Note 7—Operating lease

Effective January 1, 2017, the Organization entered into an operating lease agreement for rental of office space for a term of 60 months. The lease requires monthly payments ranging from $8,635 to $9,719. Lease expense for office space totaled $201,745 and $113,188 and for the years ended December 31, 2021 and 2020, respectively. However, as described in the following paragraph, the Organization was reimbursed for substantially all its office lease payments during 2021.

The lease was terminated by the lessor in March 2021. In consideration for the early termination of the lease, the lessor agreed to pay the Organization $60,000 as a termination fee, as well as moving expenses. Additionally, the lessor has agreed to pay the Organization's monthly lease payments for a twelve-month period beginning with the commencement of its new lease agreement. The Organization's new lease agreement provides for monthly lease payments of $18,288 commencing in March 2021 and expiring in February 2022.

Note 8—Capital campaign

In December 2020, the Organization launched a capital campaign to raise funds for the acquisition and renovation of permanent office space for the Organization. Capital campaign contribution collections amounted to $2,708,388 and $142,998 for the years ended December 31, 2021 and 2020, respectively.

Note 9—Functional expenses

The costs of providing program and other activities have been summarized on a functional basis below for the year ended December 31, 2021:

	Program Services				Supporting Services		
	Health & Children's Advocacy	Nutrition Advocacy	Legal Services and Partnerships	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 384,333	$ 239,561	$ 887,182	$ 1,511,076	$ 228,758	$ 227,159	$ 1,966,993
Professional fees and other	22,293	6,730	72,672	101,695	18,667	8,218	128,580
Audit	-	-	-	-	16,115	-	16,115
Copies and printing	1,596	994	3,682	6,272	944	943	8,159
Insurance	-	-	-	-	10,371	-	10,371
Dues	706	84	2,446	3,236	1,111	2,522	6,869
Postage	6,156	-	-	6,156	354	2,431	8,941
Licenses and fees	610	514	4,149	5,273	2,034	-	7,307
Occupancy	333	208	769	1,310	197	197	1,704
Fundraising , events and other	-	-	-	-	-	50,210	50,210
Other	9,365	-	12,615	21,980	13,928	317	36,225
Training	-	-	-	-	8,898	-	8,898
Grants	60,004	-	-	60,004	-	-	60,004
Depreciation	3,676	2,291	8,483	14,450	2,175	2,172	18,798
Travel	-	-	-	-	118	462	580
Moving	5,374	3,350	12,402	21,126	3,180	3,176	27,482
	$ 494,446	$ 253,732	$ 1,004,400	$ 1,752,578	$ 306,850	$ 297,807	$ 2,357,236

The costs of providing program and other activities have been summarized on a functional basis below for the year ended December 31, 2020:

	Program Services				Supporting Services		
	Health & Children's Advocacy	Nutrition Advocacy	Legal Services and Partnerships	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 430,002	$ 180,916	$ 713,194	$ 1,324,112	$ 197,918	$ 183,502	$ 1,705,532
Professional fees and other	22,899	8,103	48,159	79,161	7,189	6,666	93,016
Audit	-	-	-	-	9,657	-	9,657
Copies and printing	1,566	659	2,598	4,823	721	669	6,213
Insurance	-	-	-	-	10,070	-	10,070
Dues	991	417	1,643	3,051	456	423	3,930
Postage	1,539	648	2,552	4,739	708	657	6,104
Licenses and fees	1,710	720	2,837	5,267	787	730	6,784
Occupancy	32,800	13,800	54,402	101,002	15,097	13,997	130,096
Fundraising , events and other	-	-	-	-	-	55,275	55,275
Other	4,451	1,256	8,542	14,249	2,909	9,708	26,866
Training	5,135	2,160	8,517	15,812	2,363	2,191	20,366
Grants	30,000	-	-	30,000	-	-	30,000
Depreciation	3,438	1,447	5,703	10,588	1,583	1,467	13,638
Travel	779	328	1,291	2,398	358	332	3,088
Equipment maintenance	219	92	364	675	101	94	870
	$ 535,529	$ 210,546	$ 849,802	$ 1,595,877	$ 249,917	$ 275,711	$ 2,121,505

Note 10—Subsequent events

The Organization has evaluated subsequent events through July 29, 2022, when these consolidated financial statements were available to be issued.

As of the date of this report, the Organization finalized a new market tax credit agreement to assist in funding the purchase and remodel of the properly at 155 Lafayette Street in Nashville, Tennessee. The agreement is expected to provide funding of approximately $2,217,000.