

TENNESSEE JUSTICE CENTER, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

TENNESSEE JUSTICE CENTER, INC.
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Report of Independent Auditor

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

We have audited the accompanying financial statements of Tennessee Justice Center, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2020 and 2019, and the related 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 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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 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 in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Tennessee Justice Center, Inc. as of December 31, 2020 and 2019, and its 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 of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The 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.

Cheng Bekeant LLP

Nashville, Tennessee
December 2, 2021

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

DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 786,836 | \$ 362,975 |
| Investments | 1,539,701 | 1,425,303 |
| Total Current Assets | <u>2,326,537</u> | <u>1,788,278</u> |
| Office furniture and equipment | 124,332 | 70,379 |
| Escrow deposit | 50,000 | - |
| Less accumulated depreciation | <u>(61,310)</u> | <u>(47,672)</u> |
| Office Furniture and Equipment, Net | <u>113,022</u> | <u>22,707</u> |
| Total Assets | <u><u>\$ 2,439,559</u></u> | <u><u>\$ 1,810,985</u></u> |
| Liabilities | | |
| Current Liabilities: | | |
| Paycheck Protection Program note payable | <u>\$ 281,153</u> | <u>\$ -</u> |
| Total Liabilities | <u>281,153</u> | <u>-</u> |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | 1,704,087 | 1,688,650 |
| Board designated | <u>250,000</u> | <u>-</u> |
| Total Without Donor Restrictions | <u>1,954,087</u> | <u>1,688,650</u> |
| With Donor Restrictions | <u>204,319</u> | <u>122,335</u> |
| Total Net Assets | <u>2,158,406</u> | <u>1,810,985</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,439,559</u></u> | <u><u>\$ 1,810,985</u></u> |

TENNESSEE JUSTICE CENTER, INC.**STATEMENTS OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS –
MODIFIED CASH BASIS***YEARS ENDED DECEMBER 31, 2020 AND 2019*

| | 2020 | 2019 |
|--|----------------------------|----------------------------|
| Changes in Net Assets Without Donor Restrictions: | | |
| Revenues Without Donor Restrictions: | | |
| Contributions and foundation grants | \$ 2,061,340 | \$ 1,991,735 |
| Released from restriction for purpose accomplished | 192,632 | 160,842 |
| Dividends and investment income | 21,211 | 35,735 |
| Contract revenue | 14,525 | 22,195 |
| Miscellaneous revenue | 650 | 1,208 |
| Realized/unrealized gain on investments | 96,584 | 172,865 |
| Total Revenues Without Donor Restrictions | <u>2,386,942</u> | <u>2,384,580</u> |
| Expenses Paid: | | |
| Salaries and benefits | 1,705,532 | 1,650,593 |
| Contract Services: | | |
| Professional fees and other | 93,016 | 115,409 |
| Other Expenses: | | |
| Occupancy | 130,096 | 123,589 |
| Donor development | 55,275 | 57,087 |
| Miscellaneous | 27,736 | 39,532 |
| Training | 20,366 | 34,833 |
| Grants | 30,000 | - |
| Depreciation | 13,638 | 14,340 |
| Audit | 9,657 | 7,600 |
| Copies and printing | 6,213 | 9,326 |
| Insurance | 10,070 | 7,896 |
| Dues | 3,930 | 5,335 |
| Travel | 3,088 | 9,918 |
| Taxes and licenses | 6,784 | 6,226 |
| Postage | 6,104 | 2,274 |
| Total Expenses Paid | <u>2,121,505</u> | <u>2,083,958</u> |
| Change in Net Assets Without Donor Restrictions | <u>265,437</u> | <u>300,622</u> |
| Changes in Net Assets With Donor Restrictions: | | |
| Foundation grants and Capital Campaign contributions | 274,616 | 167,795 |
| Released from restriction for purpose accomplished | <u>(192,632)</u> | <u>(160,842)</u> |
| Change in Net Assets With Donor Restrictions | <u>81,984</u> | <u>6,953</u> |
| Change in net assets - modified cash basis | 347,421 | 307,575 |
| Net assets - modified cash basis, beginning of year | <u>1,810,985</u> | <u>1,503,410</u> |
| Net assets - modified cash basis, end of year | <u><u>\$ 2,158,406</u></u> | <u><u>\$ 1,810,985</u></u> |

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

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets - modified cash basis | \$ 347,421 | \$ 307,575 |
| Adjustments to reconcile change in net assets - modified cash basis to net cash flows from operating activities: | | |
| Depreciation | 13,638 | 14,340 |
| Realized/unrealized gain on investments | (96,584) | (172,865) |
| Net cash flows from operating activities | <u>264,475</u> | <u>149,050</u> |
| Cash flows from investing activities: | | |
| Purchases of office furniture and equipment | (53,953) | (8,176) |
| Escrow deposit | (50,000) | - |
| Purchases of investments | (17,814) | (122,445) |
| Sale of investments | - | 137,360 |
| Net cash flows from investing activities | <u>(121,767)</u> | <u>6,739</u> |
| Cash flows from financing activities: | | |
| Proceeds from Paycheck Protection Program note payable | 281,153 | - |
| Net cash flows from financing activities | <u>281,153</u> | <u>-</u> |
| Increase in cash and cash equivalents | 423,861 | 155,789 |
| Cash and cash equivalents, beginning of year | 362,975 | 207,186 |
| Cash and cash equivalents, end of year | <u>\$ 786,836</u> | <u>\$ 362,975</u> |

TENNESSEE JUSTICE CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

Nature of Activities – Tennessee Justice Center, Inc. (the “Organization”) 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. The Organization’s office is located in Nashville, Tennessee, from which it serves clients throughout Tennessee.

Basis of Presentation – The Organization prepares its 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. During 2020, The Organization designated \$250,000 for the purchase 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, 2020 and 2019.

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.

Office Furniture and Equipment – Office furniture 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.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

Income Taxes – The Organization 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 financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the IRC.

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 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 financial statements.

Use of Estimates – The preparation of 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.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 presentation. Such reclassifications had no effect on the results of operations or net assets as previously reported

Subsequent Events – See Note 11.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Liquidity and availability of resources

The Organization has a goal to structure its 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 financial assets available for general expenditures within one year at December 31:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Financial assets at year-end: | | |
| Cash | \$ 786,836 | \$ 362,975 |
| Investments | 1,539,701 | 1,425,303 |
| Total financial assets at year-end | <u>2,326,537</u> | <u>1,788,278</u> |
| Less amounts not available to be used for general expenditures within one year: | | |
| Board-designated net assets | 250,000 | - |
| Funds restricted by donors to be used for a specific purpose | <u>204,319</u> | <u>122,335</u> |
| Financial assets not available to be used within one year | <u>454,319</u> | <u>122,335</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 1,872,218</u> | <u>\$ 1,665,943</u> |

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.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 2020 and 2019. 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, 2020:

| | 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 |

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2019:

| | 2019 | | | Total |
|---------------------------------|--------------|---------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Money market funds | \$ 76,629 | \$ - | \$ - | \$ 76,629 |
| Mutual funds: | | | | |
| Intermediate term bond | 281,185 | - | - | 281,185 |
| Short term bond | 200,914 | - | - | 200,914 |
| Foreign large blend | 143,529 | - | - | 143,529 |
| Large value | 157,052 | - | - | 157,052 |
| Small value | 172,640 | - | - | 172,640 |
| Large blend | 100,848 | - | - | 100,848 |
| Diversified emerging markets | 73,725 | - | - | 73,725 |
| Foreign small/mid blend | 72,094 | - | - | 72,094 |
| Small blend | 86,361 | - | - | 86,361 |
| Real estate | 60,326 | - | - | 60,326 |
| Total mutual funds | 1,348,674 | - | - | 1,348,674 |
| Total investments at fair value | \$ 1,425,303 | \$ - | \$ - | \$ 1,425,303 |

During 2020 and 2019, interest and dividends from investments totaled \$21,211 and \$35,735, respectively. Net realized and unrealized gain on investments totaled \$96,584 and \$172,865 for the years ended December 31, 2020 and 2019, 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.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 5—Net assets with donor restrictions

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

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| King Child fellowship | \$ 28,424 | \$ 32,413 |
| Melkus fellowship | 31,038 | 28,682 |
| Warfield CHOICES fellowship | 1,861 | 54,286 |
| Capital campaign contributions | 142,996 | - |
| Barrett fellowship | - | 6,954 |
| | <u>\$ 204,319</u> | <u>\$ 122,335</u> |

Note 6—Concentrations

The Organization receives support from various foundations, corporate, and individual donors. During the year ended December 31, 2020, the Organization received \$497,000, approximately 18% of revenues, from two grantors. During the year ended December 31, 2019, the Organization received \$392,000, approximately 16% 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 \$113,188 and \$114,430 and for the years ended December 31, 2020 and 2019, respectively.

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. As of December 31, 2020, capital campaign contribution collections amounted to \$142,998. As of the date of this report, total capital campaign contributions collections in 2021 amount to approximately \$2,277,000.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020:

| | Program Services | | | Total Program Services | Supporting Services | | Total |
|--------------------------------|------------------------------------|-----------------------|---------------------------------------|------------------------------|----------------------------------|-------------------|---------------------|
| | Health & Children's Advocacy | Nutrition Advocacy | Legal Services and Partnerships | | General and Administrative | Fundraising | |
| Salaries and benefits | \$ 430,002 | \$ 180,916 | \$ 713,194 | \$ 1,324,112 | \$ 197,918 | \$ 183,502 | \$ 1,705,532 |
| Occupancy | 32,800 | 13,800 | 54,402 | 101,002 | 15,097 | 13,997 | 130,096 |
| Grant | 30,000 | - | - | 30,000 | - | - | 30,000 |
| Professional fees and other | 22,899 | 8,103 | 48,159 | 79,161 | 7,189 | 6,666 | 93,016 |
| Donor development | - | - | - | - | - | 55,275 | 55,275 |
| Miscellaneous | 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 |
| Equipment maintenance | 219 | 92 | 364 | 675 | 101 | 94 | 870 |
| Depreciation | 3,438 | 1,447 | 5,703 | 10,588 | 1,583 | 1,467 | 13,638 |
| 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 |
| Travel | 779 | 328 | 1,291 | 2,398 | 358 | 332 | 3,088 |
| Taxes and licenses | 1,710 | 720 | 2,837 | 5,267 | 787 | 730 | 6,784 |
| Postage | 1,539 | 648 | 2,552 | 4,739 | 708 | 657 | 6,104 |
| | <u>\$ 535,529</u> | <u>\$ 210,546</u> | <u>\$ 849,802</u> | <u>\$ 1,595,877</u> | <u>\$ 249,917</u> | <u>\$ 275,711</u> | <u>\$ 2,121,505</u> |

TENNESSEE JUSTICE CENTER, INC. **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

Note 9—Functional expenses (continued)

The costs of providing program and other activities have been summarized on a functional basis below for the year ended December 31, 2019:

| | Program Services | | | Total Program Services | Supporting Services | | Total |
|--------------------------------|------------------------------------|-----------------------|---------------------------------------|------------------------------|----------------------------------|-------------------|---------------------|
| | Health & Children's Advocacy | Nutrition Advocacy | Legal Services and Partnerships | | General and Administrative | Fundraising | |
| Salaries and benefits | \$ 533,153 | \$ 170,851 | \$ 588,085 | \$ 1,292,089 | \$ 187,169 | \$ 171,335 | \$ 1,650,593 |
| Occupancy | 39,829 | 12,838 | 43,985 | 96,652 | 14,058 | 12,879 | 123,589 |
| Professional fees and other | 45,261 | 218 | 29,293 | 74,772 | 1,837 | 3,499 | 80,108 |
| Donor development | - | - | - | - | - | 57,087 | 57,087 |
| Miscellaneous | 5,038 | 1,435 | 8,141 | 14,614 | 6,624 | 13,595 | 34,833 |
| Training | 18,185 | 4,678 | 16,025 | 38,888 | - | - | 38,888 |
| Equipment maintenance | 11,416 | 3,680 | 12,608 | 27,704 | 4,030 | 3,691 | 35,425 |
| Depreciation | 4,621 | 1,490 | 5,104 | 11,215 | 1,631 | 1,494 | 14,340 |
| Audit | - | - | - | - | 7,600 | - | 7,600 |
| Copies and printing | 3,005 | 969 | 3,319 | 7,293 | 1,061 | 972 | 9,326 |
| Insurance | 2,545 | 820 | 2,810 | 6,175 | 898 | 823 | 7,896 |
| Dues | - | - | - | - | 5,335 | - | 5,335 |
| Travel | 3,196 | 1,030 | 3,530 | 7,756 | 1,128 | 1,034 | 9,918 |
| Taxes and licenses | - | - | - | - | 6,226 | - | 6,226 |
| Postage | 733 | 236 | 809 | 1,778 | 259 | 237 | 2,274 |
| Moving expenses | - | - | - | - | 520 | - | 520 |
| | <u>\$ 666,982</u> | <u>\$ 198,245</u> | <u>\$ 713,709</u> | <u>\$ 1,578,936</u> | <u>\$ 238,376</u> | <u>\$ 266,646</u> | <u>\$ 2,083,958</u> |

Note 10—Contingency

As a result of the spread of COVID-19, economic uncertainties have arisen which have the potential to negatively impact the Organization's investments and revenues. Other financial impacts could occur though such potential impacts are unknown at this time.

Note 11—Subsequent events

The Organization has evaluated subsequent events through December 2, 2021, when these financial statements were available to be issued.

In December 2020, the Organization entered into a purchase and sale agreement to acquire a building, with the intent of renovating the property to provide permanent office space for the Organization. An escrow deposit of \$50,000 was funded December 2020. In May 2021, the Organization purchased the building for a total cost of approximately \$1,585,000.

In May 2021, the Organization established TN Justice Properties, Inc. ("TJP") solely to support the charitable purposes, mission, goals, and activities of the Organization, its sole member. TJPs activities include holding and renovating the Organization's new office space (the "Project") and servicing any future notes payable for the benefit of the Organization.

TENNESSEE JUSTICE CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 11—Subsequent events (continued)

In May 2021, the Organization entered into agreements for the Project, with anticipated remodeling costs of approximately \$5,600,000. The remodeling costs are expected to be funded by the Organization's capital campaign (see Note 8) and proceeds from New Markets Tax Credit ("NMTC") investment. The balance of construction in process as of the date of these financial statements is approximately \$239,000.

In July 2021, the Organization entered into a line of credit agreement with a bank with a credit limit of \$1,000,000. The line of credit, which is secured by the Organization's capital campaign pledges receivable, has a variable interest rate of the bank's prime rate (3.25% as of the date of these financial statements). Interest is payable monthly and the full balance is payable in one payment of all outstanding principal plus accrued unpaid interest as of July 29, 2022. There have been no draws on the line of credit as of the date of these financial statements.

In July 2021, the Organization received a Letter of Interest ("LOI") from a Community Development Entity to receive the benefits of the NMTC allocation award from the Community Development Financial Institutions Fund. The purpose of the award is to support the Project. Also, in July 2021, the Organization received an LOI from an entity to participate as the NMTC equity investor in the Project. As of the date of this report, the Organization is in the process of finalizing the NMTC agreement to assist in funding the Project. The agreement is expected to provide a net benefit to the Organization of between \$1,200,000 and \$1,400,000.