

TENNESSEE ALLIANCE FOR LEGAL SERVICES

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for Year Ended December 31, 2020

And Report of Independent Auditor

TENNESSEE ALLIANCE FOR LEGAL SERVICES
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Report of Independent Auditor

To the Board of Directors
Tennessee Alliance for Legal Services
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Alliance for Legal Services (the "Alliance") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Alliance for Legal Services as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Alliance's operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of revenues and support could negatively impact the Alliance's operations for an indeterminable time period. Our opinion is not modified with respect to this matter.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 June 25, 2021, on our consideration of the Alliance'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 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 Alliance's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekant in cursive script, followed by the letters "LLP".

Nashville, Tennessee
June 25, 2021

TENNESSEE ALLIANCE FOR LEGAL SERVICES **STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	427,818
Investments		97,219
Accounts receivable		31,847
Grants and contracts receivable		628,751
Prepaid expenses		59,548
Total Current Assets		1,245,183

Office furniture and equipment,
net of accumulated depreciation of \$108,816

23,105

Other assets

3,700

Total Assets

\$ 1,271,988

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$	14,347
Grants payable		547,648
Deferred revenue		268,442
Total Current Liabilities		830,437

Net Assets:

Without donor restrictions		441,551
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Total Liabilities and Net Assets

\$ 1,271,988

TENNESSEE ALLIANCE FOR LEGAL SERVICES
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

Support and Revenue:	
Government grants and contract income	\$ 2,971,747
1-844-Help4TN grants	58,771
Equal Justice University Conference	31,703
HELP4TN.org grants	63,945
Other income (including \$66,711 in-kind)	79,142
TN Free Legal Answers	3,000
Interest income	232
Investment gain, net	13,559
Total Support and Revenue	<u>3,222,099</u>
Expenses:	
Program services	3,035,369
Administrative	112,695
Fundraising	9,976
Outreach	39,090
Total Expenses	<u>3,197,130</u>
Change in net assets	24,969
Net assets without donor restrictions, beginning of year	<u>416,582</u>
Net assets without donor restrictions, end of year	<u><u>\$ 441,551</u></u>

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

TENNESSEE ALLIANCE FOR LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services										Support Services					Total Expenses
	Task Force	State Contracts	HELP-4TN.org	Legislative and Policy	TN Free Legal Answers	1-844-Help4TN	Worker's Comp Legal Aid	Equal Justice University	Law Search Pro	General Programs	Total	Administrative	Fundraising	Outreach	Total	
Legal assistance	\$ -	\$ 2,172,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,172,753	\$ -	\$ -	\$ -	\$ -	\$ 2,172,753
Salaries and taxes	5,401	40,447	18,404	10	4,463	196,747	6,099	36,099	215	-	307,885	75,081	6,471	28,459	110,011	417,896
Professional fees																
(including \$66,711 in-kind)	252	31,830	100,961	38,456	272	72,235	44,281	1,980	18	-	290,285	5,991	1,320	1,133	8,444	298,729
Employee benefits	994	5,414	2,903	3	621	30,455	1,130	8,126	20	-	49,666	16,640	1,259	5,528	23,427	73,093
Donated program services	-	-	13,206	-	41,731	-	10,425	1,349	-	-	66,711	-	-	-	-	66,711
Rent	427	4,330	1,629	-	462	19,484	492	3,356	30	-	30,210	10,152	466	1,919	12,537	42,747
Outreach	290	2,628	7,839	-	-	27,762	-	-	170	1,140	39,829	1	-	16	17	39,846
Other events	-	1,380	-	-	-	-	-	21,140	-	-	22,520	-	-	-	-	22,520
Information technology	339	1,695	736	-	181	8,108	192	1,313	12	891	13,467	4,014	182	751	4,947	18,414
Depreciation	88	896	337	-	96	4,032	102	694	6	-	6,251	2,101	96	397	2,594	8,845
Staff costs	-	-	-	190	-	-	-	-	-	-	190	8,029	-	225	8,254	8,444
Office supplies	22	222	104	-	24	5,344	25	200	2	-	5,943	569	24	98	691	6,634
Insurance	44	1,208	167	-	47	1,994	50	343	3	-	3,856	1,039	48	196	1,283	5,139
Telephone and internet	54	393	148	-	42	1,767	45	304	3	99	2,855	921	42	174	1,137	3,992
Staff travel	-	-	1,123	-	361	-	376	-	-	423	2,283	1,037	-	9	1,046	3,329
Dues and subscriptions	11	116	44	750	12	1,037	13	90	1	-	2,074	272	12	51	335	2,409
Printing and reproduction	19	197	74	-	21	885	22	152	1	-	1,371	461	21	87	569	1,940
Taxes, fees, licenses	-	4	1	300	-	16	-	1,069	-	246	1,636	29	21	2	52	1,688
Office equipment	9	92	35	55	10	580	10	71	1	-	863	216	10	41	267	1,130
Postage	1	5	16	-	1	305	1	32	-	-	361	13	4	2	19	380
Board of Directors meeting costs	-	-	-	-	-	-	-	-	-	-	-	355	-	-	355	355
Bank fees	2	4	2	-	-	43	-	56	5	13	125	9	-	2	11	136
Indirect allocations - grants	-	4,281	-	-	-	9,461	493	-	-	-	14,235	(14,235)	-	-	(14,235)	-
	<u>\$ 7,953</u>	<u>\$ 2,267,895</u>	<u>\$ 147,729</u>	<u>\$ 39,764</u>	<u>\$ 48,344</u>	<u>\$ 380,255</u>	<u>\$ 63,756</u>	<u>\$ 76,374</u>	<u>\$ 487</u>	<u>\$ 2,812</u>	<u>\$ 3,035,369</u>	<u>\$ 112,695</u>	<u>\$ 9,976</u>	<u>\$ 39,090</u>	<u>\$ 161,761</u>	<u>\$ 3,197,130</u>

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

TENNESSEE ALLIANCE FOR LEGAL SERVICES **STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Change in net assets	\$	24,969
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		8,845
Realized and unrealized gain on securities, net		(8,831)
Changes in operating assets and liabilities:		
Accounts receivable		(26,122)
Grants and contracts receivable		(282,416)
Prepaid expenses		(7,590)
Accounts payable and accrued expenses		(11,812)
Grants payable		224,901
Deferred revenue		198,768
Net cash flows from operating activities		<u>120,712</u>

Cash flows from investing activities:

Purchase of investments		(4,728)
Purchase of office furniture and equipment		<u>(1,045)</u>
Net cash flows from investing activities		<u>(5,773)</u>

Net change in cash and cash equivalents		114,939
Cash and cash equivalents, beginning of year		<u>312,879</u>
Cash and cash equivalents, end of year	\$	<u>427,818</u>

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

Nature of Operations – Tennessee Alliance for Legal Services (the “Alliance”) is a statewide nonprofit corporation that strengthens the delivery of civil legal help to vulnerable Tennesseans by serving as a statewide coordination point for civil justice issues; educating policy makers, advocates, and the public about civil justice issues and connecting vulnerable Tennesseans with civil legal help.

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Alliance and changes therein are classified and reported as follows:

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

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 Alliance 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 Alliance had no net assets with donor restrictions at December 31, 2020.

Cash Equivalents – The Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the statement of activities.

Fair Value Measurements – Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That 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 or liabilities (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 Alliance has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- 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 the 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 reflect an entity’s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

An 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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Mutual Funds – Valued at the net unit value of the shares held by the Alliance at year-end based on the underlying fund closing price.

No changes in the valuation methodologies were made during 2020.

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 Alliance's 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 estimate of fair value at the reporting date.

Receivables – Accounts and grants receivable are reviewed periodically as to their collectability. Management provides for losses on receivables using the allowance method. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at December 31, 2020.

Office Furniture and Equipment – Office furniture and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 5 years. Expenditures for repairs and maintenance are charged to expense as incurred. Major purchases and betterments are capitalized.

Income Tax Status – The Alliance is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC"), and the Alliance is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Alliance follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance concerning the accounting for 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. The Alliance has not recognized any tax related interest and penalties in the accompanying financial statements.

Revenue – Grant awards are recognized when the grantor makes a promise to give to the Alliance that is, in substance, unconditional. Grant awards that are restricted by the grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grant awards are recognized. All other grantor-restricted grant awards 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.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. 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 consisted primarily of salaries and wages expense which was allocated based on time and effort.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. The Alliance is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Employee benefit plans

The employees of the Alliance are covered under a simplified employee pension (“SEP”) plan. Contributions are made by the Alliance to the SEP plan on behalf of all employees, as determined by the Board of Directors based on each employee's total compensation. Retirement expense for the year ended December 31, 2020 was \$11,451.

Note 3—Investments

Investments are stated at fair value determined based on active markets (Level 1), and consist of the following at December 31, 2020:

Mutual funds - moderate allocation	<u>\$ 97,219</u>
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Investment loss, net consists of the following for the year ended December 31, 2020:

Interest and dividends	\$ 4,728
Realized and unrealized gain on investments, net	<u>8,831</u>
	<u>\$ 13,559</u>

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 4—Concentrations

Substantially all of the Alliance's receivables are from State of Tennessee contracts and grants. Approximately 90% of support and revenues were derived from these contracts and grants during the year ended December 31, 2020.

At times, the Alliance may maintain cash balances in banks in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. The Alliance has not experienced any losses in such accounts and management believes the Alliance is not exposed to any significant credit risk related to cash.

Note 5—Operating lease commitments

The Alliance entered into a lease agreement for its office that expires July 31, 2023. The Alliance subleases a portion of its office space to their independent contractors and the National Association of Social Workers.

Rent expense and related sublease rent income totaled \$72,824 and \$30,077, respectively, for the year ended December 31, 2020.

The Alliance entered into an operating agreement for a copy machine. Total payments for office equipment were \$1,576 for the year ended December 31, 2020.

The Alliance's future minimum lease payments at December 31, 2020 are as follows:

Years Ending December 31,

2021	\$	66,899
2022		67,677
2023		38,850
	\$	<u>173,426</u>

Note 6—Donated services

Officers, members of the Board of Directors, and other members of the Alliance have assisted the Alliance in the accomplishment of its goals and objectives by the donation of their time and services. These services include providing legal advice and assistance for the vulnerable populations of Tennessee. Donated services recognized in 2020 totaled \$66,711.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 7—Liquidity and availability of resources

The Alliance regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Alliance considers all expenditures related to its ongoing activities of delivering civil legal help to vulnerable Tennesseans as well as the conduct of services undertaken to support those activities to be general expenditures. 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, comprise the following at December 31:

Financial assets at year-end:

Cash and cash equivalents	\$ 427,818
Investments	97,219

Financial assets available to meet general expenditures within one year	<u>\$ 525,037</u>
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Note 8—Government grants

During fiscal 2020, the Alliance received a Paycheck Protection Program ("PPP") loan in the amount of \$92,158. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The loan must be repaid if the Alliance does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Alliance has recognized grant revenue for the full amount of \$92,158 for the year ended December 31, 2020, because the conditions for forgiveness had been substantially met at December 31, 2020.

Note 9—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Alliance, its performance, and its financial results.

Note 10—Subsequent events

The Alliance evaluated subsequent events through June 25, 2021, when these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TENNESSEE ALLIANCE FOR LEGAL SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2020

Grant Description	CFDA Number	Contract Number	Expenditures	Passed through to Subrecipients
Federal Awards:				
<u>U.S. Department of Human Services</u>				
<i>Passed through State of Tennessee, Department of Human Services (Temporary Assistance for Needy Families)</i>				
Assistance to Disabled Families First Participants				
Qualifying for Supplemental Security Income	93.558	34530-40618	\$ 31,570	\$ 28,413
Cycles of Success, Shelby County	93.558	34530-05420	152,850	119,644
Cycles of Success, Multi-County	93.558	34530-71920	484,433	441,537
Total TANF Cluster			668,853	589,594
<i>Passed through State of Tennessee, Commission on Aging and Disability (Special Programs for the Aging)</i>				
Federal Title VII Elder Abuse Prevention for TN Senior Legal Helpline and Elder Law Clinics	93.041	31602-18013	32,000	-
Total Department of Human Services			700,853	589,594
<u>U.S. Department of the Treasury</u>				
<i>Passed through State of Tennessee, Department of Finance & Administration</i>				
Coronavirus Relief Fund	21.019		103,013	-
Total Department of the Treasury			103,013	-
Total Federal Awards			803,866	589,594
State Financial Assistance:				
<i>State of Tennessee, Department of Human Services</i>				
Assistance to Disabled Families First Participants				
Qualifying for Supplemental Security Income	93.558	34530-40618	64,094	57,685
Total State of Tennessee Department of Human Services			64,094	57,685
Total State Financial Assistance			64,094	57,685
Total Federal Awards and State Financial Assistance			\$ 867,960	\$ 647,279

TENNESSEE ALLIANCE FOR LEGAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2020

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) summarizes the expenditures of Tennessee Alliance for Legal Services under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Tennessee Alliance for Legal Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tennessee Alliance for Legal Services.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Grant revenues are recognized when the related program expenditures are incurred.

Tennessee Alliance for Legal Services expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—Noncash awards

Tennessee Alliance for Legal Services did not receive noncash federal awards during the year ended December 31, 2020.

Note 4—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although Tennessee Alliance for Legal Services expects such amounts, if any, to be immaterial.

**Report of Independent Auditor 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***

To the Board of Directors
Tennessee Alliance for Legal Services
Nashville, Tennessee

We have audited, in accordance with the 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, the financial statements of Tennessee Alliance for Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tennessee Alliance for Legal Services' internal control over financial reporting ("internal control") to determine the 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 Tennessee Alliance for Legal Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Tennessee Alliance for Legal Services' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee Alliance for Legal Services' financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Tennessee Alliance for Legal Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tennessee Alliance for Legal Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheng Bekeant LLP

Nashville, Tennessee
June 25, 2021

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Tennessee Alliance for Legal Services
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Tennessee Alliance for Legal Services' (the "Alliance") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Alliance's major federal programs for the year ended December 31, 2020. The Alliance's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Alliance's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Tennessee Alliance for Legal Services' compliance.

Opinion on Each Major Federal Program

In our opinion, Tennessee Alliance for Legal Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Alliance is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekant LLP

Nashville, Tennessee
June 25, 2021

TENNESSEE ALLIANCE FOR LEGAL SERVICES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section I – Summary of Audit Results

Financial Statement Section

Type of auditor's report issued on whether financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Noncompliance material to financial statements noted

_____ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes x No

Significant deficiency(ies) identified

_____ Yes x None Reported

Type of auditor's report on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes x No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)
Temporary Assistance for Needy Families Cluster	93.558

Dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee?

_____ Yes x No

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

TENNESSEE ALLIANCE FOR LEGAL SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section III – Federal Award Findings and Questioned Costs – Major Federal Awards

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Schedule of Prior Year Audit Findings

There were no prior audit findings reported.