

TENNESSEE ALLIANCE FOR LEGAL SERVICES

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for Year Ended December 31, 2021

And Report of Independent Auditor

TENNESSEE ALLIANCE FOR LEGAL SERVICES
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

Statement of Financial Position 3

Statement of Activities 4

Statement of Functional Expenses 5

Statement of Cash Flows..... 6

Notes to the Financial Statements..... 7-11

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 12-13

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*..... 14-15

Report of Independent Auditor on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance..... 16-17

Schedule of Findings and Questioned Costs 18-19

Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tennessee Alliance for Legal Services (a nonprofit organization) (the "Alliance"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Alliance as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards 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 August 1, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alliance's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control over financial reporting and compliance.

Cherry Bekant LLP

Nashville, Tennessee
August 1, 2022

TENNESSEE ALLIANCE FOR LEGAL SERVICES
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	396,063
Restricted cash		494,195
Investments		109,122
Accounts receivable		1,781
Grants and contracts receivable		308,095
Prepaid expenses		48,088
Total Current Assets		1,357,344

Office furniture and equipment,

net of accumulated depreciation of \$118,816 13,105

Other assets 3,700

Total Assets \$ 1,374,149

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$	233,147
Grants payable		297,530
Deferred revenue		387,638
Total Current Liabilities		918,315

Net Assets:

Without donor restrictions 455,834

Total Liabilities and Net Assets \$ 1,374,149

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

TENNESSEE ALLIANCE FOR LEGAL SERVICES
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Support and Revenue:	
Government grants and contract income	\$ 2,510,265
Equal Justice University Conference	38,850
HELP4TN.org grants	62,838
Other income (including \$49,830 in-kind)	53,955
1-844-Help4TN grants	35,513
Elder Trust	10,535
TN Free Legal Answers	3,000
Interest income	206
Investment gain, net	11,903
Total Support and Revenue	<u>2,727,065</u>
Expenses:	
Program services	2,574,740
Support Services:	
Administrative	76,718
Fundraising	12,094
Outreach	49,230
Total Expenses	<u>2,712,782</u>
Change in net assets	14,283
Net assets without donor restrictions, beginning of year	<u>441,551</u>
Net assets without donor restrictions, end of year	<u><u>\$ 455,834</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, 2021

	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	-	\$ 1,809,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,809,440	\$ -	\$ -	\$ -	\$ -	\$ 1,809,440
Salaries and taxes	5,008	54,934	11,245	-	4,907	187,455	2,911	52,233	450	-	319,143	48,206	9,402	36,608	94,216	413,359
Professional fees	144	54,181	299	38,222	76	43,577	37,500	1,599	12	26,869	202,479	10,038	236	891	11,165	213,644
Employee benefits	1,108	10,827	1,375	-	731	35,177	363	6,647	298	-	56,526	9,944	1,295	5,313	16,552	73,078
Donated program services	-	-	16,642	-	31,159	-	-	-	-	-	47,801	-	-	2,029	2,029	49,830
Outreach	192	250	4,493	-	350	33,064	1,487	80	225	1,355	41,496	574	-	-	574	42,070
Rent	407	6,222	846	-	215	17,596	-	3,797	33	-	29,116	9,611	667	2,521	12,799	41,915
Other events	-	-	-	-	-	-	-	15,545	-	-	15,545	1,928	-	-	1,928	17,473
Insurance	38	8,179	79	-	20	1,636	-	353	3	-	10,308	894	62	234	1,190	11,498
Information technology	163	1,281	193	-	47	3,821	-	825	7	1,512	7,849	2,186	145	547	2,878	10,727
Depreciation	100	1,221	208	-	53	4,328	-	934	8	-	6,852	2,364	164	620	3,148	10,000
Staff costs	-	-	-	190	-	1,716	-	-	-	-	1,906	6,921	-	-	6,921	8,827
Telephone and internet	26	346	55	-	14	1,139	-	246	2	-	1,828	623	43	163	829	2,657
Dues and subscriptions	15	184	31	1,090	8	653	-	141	1	-	2,123	356	25	93	474	2,597
Printing and reproduction	19	227	39	-	10	803	-	173	1	-	1,272	444	30	115	589	1,861
Office supplies	15	230	31	-	8	643	-	139	1	-	1,067	355	24	92	471	1,538
Staff travel	-	-	-	-	-	-	-	64	-	-	64	878	-	-	878	942
Taxes, fees, licenses	-	43	-	300	-	9	-	2	-	340	694	198	-	1	199	893
Postage	-	7	-	-	-	16	38	21	-	75	157	43	-	-	43	200
Bank fees	-	6	1	-	-	47	-	116	5	8	183	11	1	3	15	198
Meeting costs	-	-	-	-	-	-	-	-	-	-	-	35	-	-	35	35
Indirect allocations - grants	-	9,638	-	-	-	9,014	239	-	-	-	18,891	(18,891)	-	-	(18,891)	-
	<u>\$ 7,235</u>	<u>\$ 1,957,216</u>	<u>\$ 35,537</u>	<u>\$ 39,802</u>	<u>\$ 37,598</u>	<u>\$ 340,694</u>	<u>\$ 42,538</u>	<u>\$ 82,915</u>	<u>\$ 1,046</u>	<u>\$ 30,159</u>	<u>\$ 2,574,740</u>	<u>\$ 76,718</u>	<u>\$ 12,094</u>	<u>\$ 49,230</u>	<u>\$ 138,042</u>	<u>\$ 2,712,782</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, 2021

Cash flows from operating activities:

Change in net assets	\$	14,283
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		10,000
Realized and unrealized gain on securities, net		(1,258)
Changes in operating assets and liabilities:		
Accounts receivable		30,066
Grants and contracts receivable		320,656
Prepaid expenses		11,460
Accounts payable and accrued expenses		218,800
Grants payable		(250,118)
Deferred revenue		119,196
Net cash flows from operating activities		<u>473,085</u>

Cash flows from investing activities:

Purchase of investments		<u>(10,645)</u>
Net cash flows from investing activities		<u>(10,645)</u>

Net change in cash and cash equivalents		462,440
Cash, cash equivalents, and restricted cash, beginning of year		<u>427,818</u>
Cash, cash equivalents, and restricted cash, end of year	\$	<u><u>890,258</u></u>

Cash and cash equivalents consist of the following:

Cash and cash equivalents	\$	396,063
Cash restricted for Elder Trust grant		<u>494,195</u>
	\$	<u><u>890,258</u></u>

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

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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 (“U.S. 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, 2021.

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 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 market participants would use in pricing the assets or liabilities.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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 2021.

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, 2021.

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 three to five 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, 2021

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 U.S. 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.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonfinancial assets to be presented separately from contributions of cash and other financial assets. 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, 2021 was \$10,687.

Note 3—Investments

Investments are stated at fair value determined based on active markets (Level 1), and consist of the following at December 31, 2021:

Mutual funds – moderate allocation	\$ 109,122
------------------------------------	------------

Investment loss, net consists of the following for the year ended December 31, 2021:

Interest and dividends	\$ 10,645
Realized and unrealized gain on investments, net	1,258
	<u>\$ 11,903</u>

TENNESSEE ALLIANCE FOR LEGAL SERVICES **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2021

Note 4—Concentrations

Substantially all of the Alliance's receivables are from state of Tennessee contracts and grants. Approximately 92% of support and revenues were derived from these contracts and grants during the year ended December 31, 2021.

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 \$71,538 and \$29,623, respectively, for the year ended December 31, 2021.

The Alliance entered into an operating agreement for a copy machine. Total payments for office equipment were \$1,828 for the year ended December 31, 2021.

The Alliance's future minimum lease payments at December 31, 2021 are as follows:

Years Ending December 31,

2022	\$ 67,824
2023	<u>40,173</u>
	<u>\$ 107,997</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 2021 totaled \$49,830.

TENNESSEE ALLIANCE FOR LEGAL SERVICES
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021:

Financial assets at year-end:

Cash and cash equivalents	\$ 890,258
Accounts receivable	1,781
Grants and contracts receivable	308,095
Investments	<u>109,122</u>
Total financial assets	1,309,256

Less amounts not available to be used for general expenditures within one year:

Cash restricted for Elder Trust grant	<u>494,195</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 815,061</u></u>

Note 8—Subsequent events

The Alliance evaluated subsequent events through August 1, 2022, when these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TENNESSEE ALLIANCE FOR LEGAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

Grant Description	Federal Assistance Listing 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	\$ 211,029	\$ 197,536
Cycles of Success, Shelby County	93.558	34530-05420	209,074	165,303
Cycles of Success, Multi-County	93.558	34530-71920	559,128	519,485
Total Temporary Assistance for Needy Families			979,231	882,324
Total Department of Human Services			979,231	882,324
<u>U.S. Department of the Treasury</u>				
<i>Passed through State of Tennessee, Housing Development Agency</i>				
COVID-19 Rent Relief Program/ERA	21.023	TALS CVRR-20	23,399	-
Total Department of the Treasury			23,399	-
Total Federal Awards			\$ 1,002,630	\$ 882,324

TENNESSEE ALLIANCE FOR LEGAL SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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, 2021.

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) (the "Alliance"), which comprise the statement of financial position as of December 31, 2021, 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 August 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheng Bekeant LLP

Nashville, Tennessee
August 1, 2022

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

Opinion on Each Major Federal Program

We have audited Tennessee Alliance for Legal Services' (the "Alliance") compliance with the types of compliance requirements identified as subject to audit 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, 2021. 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.

In our opinion, the Alliance 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, 2021.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Alliance's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Alliance's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Alliance's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Alliance's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Alliance's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Alliance's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Alliance's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cheng Bekant LLP

Nashville, Tennessee
August 1, 2022

TENNESSEE ALLIANCE FOR LEGAL SERVICES **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2021

Section I – Summary of Audit Results

Financial Statement Section:

Type of auditor's report issued on whether financial statements were prepared in accordance with U.S. 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	Assistance Listing Number
Temporary Assistance for Needy Families	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, 2021

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.