

TENNESSEE JUSTICE FOR OUR NEIGHBORS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2019

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CONTENTS

	<u>Page</u>
Independent auditors' report	3
Financial statements:	
Statement of financial position.....	4
Statement of activities	5
Statement of functional expenses.....	6
Statement of cash flows.....	7
Notes to financial statements.....	8-12



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Tennessee Justice For Our Neighbors
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Justice For Our Neighbors (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' 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. 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 the Organization as of December 31, 2019, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brown & Maguire CPAs, PLLC

Brown & Maguire CPAs, PLLC
Nashville, Tennessee
April 20, 2020

TENNESSEE JUSTICE FOR OUR NEIGHBORS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 104,744
Accounts receivable	10,980
Contributions receivable	22,291
Prepaid expenses	993
Deposit	<u>2,254</u>
Total current assets	<u>141,262</u>

Fixed Assets:

Equipment	4,532
Leasehold improvements	5,033
Less: accumulated depreciation	<u>(3,483)</u>
Total fixed assets, net	<u>6,082</u>

Total assets	<u><u>\$ 147,344</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accrued expenses	<u>\$ 2,283</u>
Total current liabilities	<u>2,283</u>

Net Assets:

Without donor restrictions	82,186
With donor restrictions	<u>62,875</u>
Total net assets	<u>145,061</u>

Total liabilities and net assets	<u><u>\$ 147,344</u></u>
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The accompanying notes are an integral part of these financial statements.

TENNESSEE JUSTICE FOR OUR NEIGHBORS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Corporate and foundation contributions..	\$ 145,198	\$ -	\$ 145,198
Grants	-	91,701	91,701
Church and individual contributions	80,885	-	80,885
Program income	19,363	-	19,363
Special events net of costs of \$6,832	(3,767)	-	(3,767)
Net assets released from restrictions	34,426	(34,426)	-
Total support and revenue.....	276,105	57,275	333,380
Expenses			
Program services	162,462	-	162,462
Management and general	50,986	-	50,986
Fundraising.....	40,312	-	40,312
Total expenses.....	253,760	-	253,760
Change in net assets.....	22,345	57,275	79,620
Net assets at beginning of year.....	59,841	5,600	65,441
Net assets at end of year	\$ 82,186	\$ 62,875	\$ 145,061

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

TENNESSEE JUSTICE FOR OUR NEIGHBORS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			
	Legal Assistance	Management and General	Fundraising	Total
Accounting	\$ -	\$ 6,116	\$ -	\$ 6,116
Bank fees	-	399	-	399
Depreciation	443	63	63	569
Dues and subscriptions	1,009	334	-	1,343
Insurance	-	1,297	-	1,297
Management fees	-	2,750	-	2,750
Miscellaneous	811	-	511	1,322
Occupancy	9,293	1,310	1,311	11,914
Office supplies	-	699	-	699
Payroll	137,859	35,612	36,596	210,067
Postage	4,560	81	1,507	6,148
Printing	5,579	579	-	6,158
Professional development	613	-	-	613
Technology	2,295	1,576	324	4,195
Travel	-	170	-	170
Total expenses	<u>\$ 162,462</u>	<u>\$ 50,986</u>	<u>\$ 40,312</u>	<u>\$ 253,760</u>

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

TENNESSEE JUSTICE FOR OUR NEIGHBORS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:

Increase in net assets	\$ 79,620
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	569
Increase in accounts receivable and contributions receivable	(17,753)
Decrease in accrued expenses	<u>(4,093)</u>
Net cash provided by operating activities	<u>58,343</u>

Cash flows from investing activities:

Purchase of equipment	(961)
Leasehold improvements	<u>(5,033)</u>
Net cash used in investing activities	<u>(5,994)</u>

Cash flows from financing activities:

Net cash provided by (used in) financing activities	<u>-</u>
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Net increase in cash and cash equivalents	52,349
Cash and cash equivalents, at beginning of the period	<u>52,395</u>
Cash and cash equivalents, at end of the period	<u>\$ 104,744</u>

Cash paid for interest \$ -

Cash paid for taxes \$ -

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

TENNESSEE JUSTICE FOR OUR NEIGHBORS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Description of the Organization and Summary of Significant Accounting Policies

Tennessee Justice for Our Neighbors (the “Organization”) is a not-for-profit organization, created by the United Methodist Committee on Relief as part of a national network of immigration legal clinics. Launched in 1999, the Organization continues to provide free or affordable immigration legal services, advocate for immigrant rights, and educate the public on immigration issues. The Organization uses volunteers as well as paid staff to provide legal assistance and is supported primarily through donor contributions (both individual and corporate).

Basis of Presentation

The accompanying financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds and cash bank accounts with an original maturity of three months or less to be cash and cash equivalents.

Contributions and Support

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions 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. Approximately 36.51% of the Organization’s support for the year ended December 31, 2019 came from two donors.

Property and Depreciation

Property and equipment are recorded at cost or at fair value as of the date purchased or contributed. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated lives of the respective assets ranging from 4 to 15 years. Leasehold improvements are amortized over a period of 15 years.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

TENNESSEE JUSTICE FOR OUR NEIGHBORS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Additionally, a number of unpaid volunteers have made significant contributions of their time to assist with legal services, fund-raising and special projects. However, these services do not meet the requirements above and have not been recorded.

Income Taxes

The Organization, which is not a private foundation, is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made. Additionally, as of December 31, 2019, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization is no longer subject to examination by federal and state taxing authorities for tax years ending prior to the tax year ended December 31, 2016.

Program and Supporting Services

The following program and supporting services were included in the accompanying financial statements.

Program Services—Includes activities carried out to fulfill the Organization's mission to provide free or affordable immigration legal services, advocate for immigrant rights and educate the public on immigration issues.

Management and General—Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising—Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation and creation and distribution of fundraising materials.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as program, management and fundraising in the statements of functional expenses. Additionally, the statement of activities and functional expense reports certain expenses as being attributable to multiple functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

TENNESSEE JUSTICE FOR OUR NEIGHBORS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management of the Organization to make estimates and assumptions that affect the reported assets and liabilities and contingency disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value of Financial Instruments

The carrying value of current assets and current liabilities approximate fair value due to the short maturities of these instruments.

2. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions for the year ended December 31, 2019 were as follows:

	<u>Beginning of Year</u>	<u>Contributions With Donor Restrictions</u>	<u>Released Contributions With Donor Restrictions</u>	<u>End of Year</u>
Legal services.....	\$ 5,600	\$ 91,701	\$ (34,426)	\$ 62,875
	<u>\$ 5,600</u>	<u>\$ 91,701</u>	<u>\$ (34,426)</u>	<u>\$ 62,875</u>

3. Operating Lease Commitments

The Organization leases certain office space under a non-cancelable operating lease. Future minimum lease commitments under these lease agreements are as follows:

2020	\$ 11,914
2021	-
2022	-
2023	-
2024	-
Thereafter.....	-
	<u>\$ 11,914</u>

TENNESSEE JUSTICE FOR OUR NEIGHBORS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

4. Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of December 31, 2019, reduced by any amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets	<u>\$ 104,744</u>
Financial assets available to meet cash needs for general expenditures within one year.....	<u>\$ 104,744</u>

As part of the Organization’s liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

5. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this Accounting Standards Update (“ASU”) supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact the adoption of ASU 2016-02 will have on the Organization’s financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization adopted ASU 2016-14 effective January 1, 2018. The adoption of ASU 2016-14 had no impact on the Organization’s financial statements.

TENNESSEE JUSTICE FOR OUR NEIGHBORS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

6. Accrued Expenses

Accrued expenses at December 31, 2019 consisted of the following:

Payroll liabilities payable	\$ 660
Other accrued operating expenses.....	<u>1,623</u>
Total accrued expenses	<u>\$ 2,283</u>

7. Subsequent Events

The Organization has evaluated all events or transactions that occurred after December 31, 2019, through April 20, 2020, the date these financial statements were issued. During this period the Organization did not have any material recognizable events that required recognition in the disclosures to the December 31, 2019 financial statements.
