TENNESSEE JUSTICE CENTER, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

TENNESSEE JUSTICE CENTER, INC.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying financial statements of Tennessee Justice Center, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 in the first paragraph present fairly, in all material respects, the assets, liabilities, and net assets of Tennessee Justice Center, Inc. as of December 31, 2017 and its revenues, expenses, and other changes in net assets and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Prior Period Financial Statements

The financial statements as of December 31, 2016 were audited by other auditors whose report dated August 18, 2017 expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
August 22, 2018

TENNESSEE JUSTICE CENTER, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS –
MODIFIED CASH BASIS

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 158,377	$ 96,956
Investments	1,480,047	1,445,602
Total Current Assets	1,638,424	1,542,558
Office furniture and equipment	113,449	71,297
Less accumulated depreciation	(71,363)	(59,302)
Office furniture and equipment, net	42,086	11,995
Total Assets	$ 1,680,510	$ 1,554,553
NET ASSETS		
Net Assets:		
Unrestricted	$ 1,613,002	$ 1,477,189
Temporarily restricted	67,508	77,364
Total Net Assets	$ 1,680,510	$ 1,554,553

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

TENNESSEE JUSTICE CENTER, INC.

STATEMENTS OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Changes in Unrestricted Net Assets:		
Unrestricted Revenues:		
Contributions and foundation grants	$ 1,619,218	$ 875,434
Realized/unrealized gain on investments	140,502	96,096
Released from restriction for purpose accomplished	139,256	230,578
Miscellaneous	38,496	37,033
Contract revenue	34,862	34,630
Attorney fee awards	-	9,215
Total Unrestricted Revenues	1,972,334	1,282,986
Expenses Paid:		
Salaries and benefits	1,328,283	902,517
Contract services:		
Professional fees and other	130,345	183,431
Other expenses:		
Occupancy	121,967	66,472
Donor development	73,346	32,864
Training	45,686	23,162
Equipment maintenance	29,456	24,511
Moving expenses	24,779	-
Miscellaneous	22,884	17,303
Depreciation	14,879	8,363
Copies and printing	10,008	9,197
Audit	8,500	8,150
Insurance	7,326	6,794
Postage	6,555	3,861
Taxes and licenses	5,047	4,354
Dues	4,053	6,455
Travel	3,407	9,288
Total Expenses Paid	1,836,521	1,306,722
Change in Unrestricted Net Assets	135,813	(23,736)
Changes in Temporarily Restricted Net Assets:		
Foundation grants	129,400	167,050
Released from restriction for purpose accomplished	(139,256)	(230,578)
Change in Temporarily Restricted Net Assets	(9,856)	(63,528)
Total change in net assets - modified cash basis	125,957	(87,264)
Net assets - modified cash basis, beginning of year	1,554,553	1,641,817
Net assets - modified cash basis, end of year	$ 1,680,510	$ 1,554,553

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

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

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 125,957	$ (87,264)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,879	8,363
Realized/unrealized gain on investments	(140,502)	(96,096)
Net cash provided by (used in) operating activities	334	(174,997)
Cash flows from investing activities:		
Purchases of property and equipment and construction in progress	(44,970)	(7,319)
Purchases of investments	(195,943)	(230,543)
Sale of investments	302,000	383,862
Net cash provided by investing activities	61,087	146,000
Increase (decrease) in cash and cash equivalents	61,421	(28,997)
Cash and cash equivalents, beginning of year	96,956	125,953
Cash and cash equivalents, end of year	$ 158,377	$ 96,956

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

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

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

Basis of Presentation – The Organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

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

> *Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those classifications of net assets. There were no permanently restricted net assets at December 31, 2017 and 2016.

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

Office Furniture and Equipment – Office furniture and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives of office furniture and equipment range from three to seven years.

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

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

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

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

Subsequent Events – The Organization evaluated subsequent events through August 22, 2018, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of assets, liabilities, and net assets – modified cash basis date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Fair value measurements and investments

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

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

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

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

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

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

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

Note 2—Fair value measurements and investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the Organization's valuation techniques during 2017 and 2016. A description of the valuation methodologies used for assets measured at fair value is as follows:

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

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

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 73,719	$ -	$ -	$ 73,719
Mutual funds:	285,821	-	-	285,821
Intermediate term bond	218,141	-	-	218,141
Foreign large blend	179,656	-	-	179,656
Large value	155,395	-	-	155,395
Small value	126,407	-	-	126,407
Large blend	110,319	-	-	110,319
Diversified emerging markets	93,655	-	-	93,655
Foreign small/mid blend	92,605	-	-	92,605
Small blend	92,151	-	-	92,151
Real estate	52,178	-	-	52,178
Total mutual funds	1,406,328	-	-	1,406,328
Total investment at fair value	$ 1,480,047	$ -	$ -	$ 1,480,047

Note 2—Fair value measurements and investments (continued)

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 75,769	$ -	$ -	$ 75,769
Mutual funds:	282,803	-	-	282,803
Intermediate term bond	219,192	-	-	219,192
Foreign large blend	174,386	-	-	174,386
Large value	160,036	-	-	160,036
Small value	146,368	-	-	146,368
Large blend	101,693	-	-	101,693
Diversified emerging markets	87,203	-	-	87,203
Foreign small/mid blend	73,226	-	-	73,226
Small blend	73,050	-	-	73,050
Real estate	51,876	-	-	51,876
Total mutual funds	1,369,833	-	-	1,369,833
Total investment at fair value	$ 1,445,602	$ -	$ -	$ 1,445,602

During 2017 and 2016, interest and dividends from investments totaled $33,425 and $36,761, respectively. Net realized and unrealized gains on investments totaled $140,502 and $96,096 for the years ended December 31, 2017 and 2016, respectively.

Note 3—Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	**2016**
Princeton fellowship	$ 33,198	$ 28,163
CHOICES fellowship	16,866	7,747
AskJane!	10,222	10,791
Capital expenditures	7,222	-
Technology transition	-	20,000
Nutrition advocacy	-	10,663
	$ 67,508	$ 77,364

Note 4—Concentrations

The Organization receives support from various foundations, corporate and individual donors. During the year ended December 31, 2017, the Organization received $422,121, approximately 22% of revenues, from two grantors. During the year ended December 31, 2016, the Organization received $127,382, approximately 10% of revenues, from one grantor. A reduction in such amounts could have a significant effect on the Organization's activities.

Note 5—Operating lease

During 2016, the Organization conducted its operations from office space under an operating lease. The lease expired December 31, 2013, and continued on a month-to-month basis under the same terms.

Effective January 1, 2017, the Organization entered into an operating lease agreement for rental of new office space for a term of 60 months. The lease requires monthly payments ranging from $8,635 to $9,719 and expires December 31, 2021. Lease expense for office space totaled $103,904 and $46,401 for the years ended December 31, 2017 and 2016, respectively.

Additionally, effective May 26, 2017, the Organization entered into an operating lease agreement for rental of a copier for a term of 48 months.

Future minimum lease payments required under all noncancellable operating lease agreements entered into subsequent to December 31, 2017 are as follows:

Years Ending December 31,		
2018	$	111,506
2019		114,675
2020		117,952
2021		118,611
	$	462,744