

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

LSC GRANT RECIPIENT: 643040

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2008 AND 2007

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2008 AND 2007

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
 <u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 20
 <u>ADDITIONAL INFORMATION</u>	
Schedule of Expenditures of Federal Awards	21 - 23
Schedule of Support, Revenue, Expenses and Changes in Net Assets for LSC Funds	24
 <u>OTHER REPORTS</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Legal Services Corporation Audit Guide and Compliance Supplement	27 - 28
Schedule of Findings and Questioned Costs	29

INDEPENDENT AUDITORS' REPORT

Board of Directors
Legal Aid Society of Middle Tennessee and the Cumberland
Nashville, Tennessee

We have audited the accompanying statements of financial position of Legal Aid Society of Middle Tennessee and the Cumberland (the "Organization") as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Society of Middle Tennessee and the Cumberland as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2009, on our consideration of Legal Aid Society of Middle Tennessee and the Cumberland's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Legal Aid Society of Middle Tennessee and the Cumberlandns taken as a whole. The accompanying schedules of expenditures of federal awards and support, revenue, expenses and changes in net assets for LSC funds are presented for purposes of additional analysis as required by OMB Circular A-133 and the Legal Services Corporation ("LSC") Audit Guide and Compliance Supplement and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gray CPAs PLLC

Nashville, Tennessee
April 28, 2009

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,008,045	\$ 896,213
Investments - Note 4	1,821,278	2,173,915
Accounts receivable	98,151	42,138
Grants receivable	183,897	121,120
Contributions receivable	340,203	396,234
Prepaid expenses	18,320	15,414
Property and equipment, net - Note 5	377,694	393,208
Client escrow funds	<u>14,904</u>	<u>16,572</u>
 TOTAL ASSETS	 <u>\$ 3,862,492</u>	 <u>\$ 4,054,814</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 18,471	\$ 27,158
Accrued expenses	495,080	506,425
Client escrow deposits	14,904	16,572
Deferred revenue	<u>1,498</u>	<u>37,336</u>
 TOTAL LIABILITIES	 <u>529,953</u>	 <u>587,491</u>
 COMMITMENTS AND CONTINGENCIES - Note 10		
NET ASSETS		
Unrestricted:		
Undesignated	861,480	878,305
Designated for property and equipment	<u>377,694</u>	<u>393,208</u>
 Total unrestricted	 1,239,174	 1,271,513
 Temporarily restricted - Note 6	 <u>2,093,365</u>	 <u>2,195,810</u>
 TOTAL NET ASSETS	 <u>3,332,539</u>	 <u>3,467,323</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,862,492</u>	 <u>\$ 4,054,814</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

		2008			
		TEMPORARILY RESTRICTED			TOTAL
	UNRESTRICTED	LSC	NON-LSC	TOTAL	
REVENUES AND SUPPORT					
Federal, state and local awards	\$ -	\$ 2,507,508	\$ 2,079,315	\$ 4,586,823	\$ 4,586,823
Contributions and foundation grants	572,165	201,087	637,457	838,544	1,410,709
Investment income (loss) - Note 4	(319,163)	-	-	-	(319,163)
Miscellaneous income	17,350	-	-	-	17,350
Donated services - Note 7	-	1,208,478	-	1,208,478	1,208,478
Net assets released from restrictions	6,736,290	(3,917,073)	(2,819,217)	(6,736,290)	-
TOTAL REVENUES AND SUPPORT	7,006,642	-	(102,445)	(102,445)	6,904,197
OPERATING EXPENSES					
Program services	6,160,100	-	-	-	6,160,100
Supporting services:					
Management and general	728,236	-	-	-	728,236
Fundraising - Note 12	150,645	-	-	-	150,645
TOTAL OPERATING EXPENSES	7,038,981	-	-	-	7,038,981
INCREASE (DECREASE) IN NET ASSETS	(32,339)	-	(102,445)	(102,445)	(134,784)
NET ASSETS - BEGINNING OF YEAR	1,271,513	-	2,195,810	2,195,810	3,467,323
NET ASSETS - END OF YEAR	\$ 1,239,174	\$ -	\$ 2,093,365	\$ 2,093,365	\$ 3,332,539

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

2007

UNRESTRICTED	TEMPORARILY RESTRICTED			TOTAL
	LSC	NON-LSC	TOTAL	
\$ -	\$ 2,495,215	\$ 1,832,303	\$ 4,327,518	\$ 4,327,518
337,965	371,437	763,789	1,135,226	1,473,191
126,626	-	-	-	126,626
37,553	-	-	-	37,553
-	1,138,278	-	1,138,278	1,138,278
6,374,339	(4,004,930)	(2,369,409)	(6,374,339)	-
6,876,483	-	226,683	226,683	7,103,166
6,096,865	-	-	-	6,096,865
669,078	-	-	-	669,078
153,827	-	-	-	153,827
6,919,770	-	-	-	6,919,770
(43,287)	-	226,683	226,683	183,396
1,314,800	-	1,969,127	1,969,127	3,283,927
\$ 1,271,513	\$ -	\$ 2,195,810	\$ 2,195,810	\$ 3,467,323

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
			(See Note 12)	
PERSONNEL EXPENSES				
Lawyers	\$ 1,789,049	\$ 120,085	\$ 42,377	\$ 1,951,511
Paralegals	427,007	-	517	427,524
Support staff	903,387	198,309	57,113	1,158,809
Employee benefits - Note 11	546,417	42,495	10,715	599,627
Payroll taxes	230,278	23,709	4,696	258,683
TOTAL PERSONNEL EXPENSES	<u>3,896,138</u>	<u>384,598</u>	<u>115,418</u>	<u>4,396,154</u>
OTHER EXPENSES				
Donated services - Note 7	1,208,478	-	-	1,208,478
Court costs and litigation	81,439	-	-	81,439
Depreciation	64,869	-	-	64,869
Dues and fees	36,128	2,714	-	38,842
Equipment rental and maintenance - Note 10	34,520	23,623	826	58,969
Insurance	30,985	13,003	25	44,013
Occupancy - Note 10	281,834	80,446	4,546	366,826
Postage	30,858	8,897	5,244	44,999
Printing and publications	107,990	6,780	10,919	125,689
Professional fees and contract services	79,328	124,552	2,635	206,515
Supplies	70,216	44,798	5,214	120,228
Telephone	65,621	23,272	3,605	92,498
Training	26,067	3,507	820	30,394
Travel	145,629	12,046	1,393	159,068
TOTAL OTHER EXPENSES	<u>2,263,962</u>	<u>343,638</u>	<u>35,227</u>	<u>2,642,827</u>
TOTAL EXPENSES	<u>\$ 6,160,100</u>	<u>\$ 728,236</u>	<u>\$ 150,645</u>	<u>\$ 7,038,981</u>

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

2007

PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
(See Note 12)			
\$ 1,792,051	\$ 111,292	\$ 49,775	\$ 1,953,118
449,701	-	817	450,518
905,672	195,457	51,748	1,152,877
590,572	38,728	9,851	639,151
230,930	22,811	7,632	261,373
3,968,926	368,288	119,823	4,457,037
1,138,278	-	-	1,138,278
82,446	20	-	82,466
59,240	-	-	59,240
35,509	1,295	-	36,804
31,007	24,885	-	55,892
23,480	4,734	124	28,338
290,474	48,702	4,546	343,722
30,637	6,126	4,227	40,990
102,070	3,276	1,495	106,841
43,681	138,017	14,912	196,610
70,615	39,893	6,263	116,771
67,129	24,926	836	92,891
31,601	2,527	468	34,596
121,772	6,389	1,133	129,294
2,127,939	300,790	34,004	2,462,733
\$ 6,096,865	\$ 669,078	\$ 153,827	\$ 6,919,770

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (134,784)	\$ 183,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	64,869	59,240
Donations of property and equipment	(35,662)	-
Realized and unrealized (gains) losses on investments	391,403	(32,894)
(Increase) decrease in:		
Accounts receivable	(56,013)	(1,248)
Grants receivable	(62,777)	(20,190)
Contributions receivable	56,031	(107,974)
Prepaid expenses	(2,906)	(11,648)
Increase (decrease) in:		
Accounts payable	(8,687)	(13,805)
Accrued expenses	(11,345)	28,328
Deferred revenue	(35,838)	32,764
TOTAL ADJUSTMENTS	<u>299,075</u>	<u>(67,427)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>164,291</u>	<u>115,969</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(13,693)	(13,927)
Purchases of investments	(1,062,967)	(875,400)
Proceeds from sale of investments	<u>1,024,201</u>	<u>834,243</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(52,459)</u>	<u>(55,084)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	111,832	60,885
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>896,213</u>	<u>835,328</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,008,045</u>	<u>\$ 896,213</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

NOTE 1 - NATURE OF ACTIVITIES

Legal Aid Society of Middle Tennessee and the Cumberland (the "Organization") is a not-for-profit corporation organized to provide legal services for the indigent, the elderly, victims of domestic violence, and otherwise disadvantaged persons. The Organization is supported primarily through grants from Legal Services Corporation ("LSC"), an annual fund-raising campaign, various foundation grants, state and local governments, and local area United Way agencies. The Organization serves 48 counties in middle Tennessee and the Cumberland.

LSC is a not-for-profit corporation established by the United States Congress in 1974 and located in the District of Columbia. Congress appropriates federal funds annually to LSC which, in turn, makes grants to local organizations that provide legal assistance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements present the financial position and operations of the Organization on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of December 31, 2008.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

The Organization also receives grant revenue from federal, state, and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant, except the annual basic field grant from LSC, which is deemed to be a contribution and is reported as such, in accordance with the LSC Accounting Guide for LSC Recipients. Advances received on the basic field grant for a subsequent year are recorded as deferred revenue until the year of the award.

Any gifts of equipment or materials are reported as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with banks.

Investments

Investments consist of certificates of deposit (regardless of original maturity), stocks, bonds and money market funds and are carried at the quoted market value on the last business day of the reporting period. Interest and dividend income, as well as realized and unrealized gains and losses, are accounted for in accordance with donor restrictions (temporarily restricted) or, in the absence of specific donor restrictions, as unrestricted. The changes in unrealized gains and losses are recognized in the Statement of Activities.

Certificates of deposit as of December 31, 2008, have maturity dates ranging from April, 2009 through June, 2009.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions receivable

Unconditional promises to give, less an applicable allowance for uncollectible amounts, are recognized as revenues in the period received and as assets, decreases in liabilities, or decreases in expenses, depending on the form of the benefits received. Conditional promises to give are not included as support until such time as the conditions are substantially met. At December 31, 2008 and 2007, all contributions receivable were due within one year.

As of December 31, 2008 and 2007, an allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on past history.

Property and equipment

Property and equipment are reported at cost at the date of purchase, at the carrying basis for assets transferred in from merged organizations, or at estimated fair value at date of gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets (furniture, fixtures and equipment - 3 to 10 years; buildings and improvements - 10 to 39 years).

Property and equipment acquired with Legal Services Corporation funds are considered to be owned by the Organization. However, LSC has a reversionary interest in the property, as well as the final determination of the use of any proceeds from the sale of those assets.

Donated services

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by the Organization. The Organization utilizes donated time from local area attorneys and paralegals who provide legal services to eligible clients. The donated time represents a material contribution to the Organization's operations and is recognized in the financial statements based on average hourly rates for legal services in the respective areas.

A substantial number of unpaid volunteers have contributed their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it does not meet the criteria noted above.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

Program services - includes activities carried out to fulfill the Organization's mission to provide free civil legal services for low-income individuals, the elderly, and victims of domestic violence in 48 counties in Middle Tennessee and the Cumberland. The Organization leverages resources by cooperation and coordination with bar association sponsored pro bono programs and other legal assistance resources. The Organization places a high priority on supporting the integrity, safety, and well-being of family by providing assistance with preserving the home, obtaining housing, maintaining economic stability, preventing domestic violence, obtaining health care, and encouraging family stability.

Supporting services

Management and general - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities related to obtaining resources, both financial support and donated legal services. These costs include staff time, materials and other related expenses. Activities related to obtaining financial support include the annual fundraising campaign. (See Note 12.)

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated absences

Compensated absences are accrued for vacation days earned by employees that will be paid in the future. Current policy is to allow employees to carry over not more than 320 hours.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Recent accounting pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*. FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The Agency has elected this deferral and, accordingly, will be required to adopt FIN 48 in its December 31, 2009 annual financial statements. Prior to adopting FIN 48, the Agency will continue to evaluate uncertain tax positions and related income tax contingencies under SFAS No. 5, *Accounting for Contingencies*. SFAS No. 5 requires annual accrual for losses that are considered probable and can be reasonably estimated, or disclosure for losses that are considered reasonably possible and/or cannot be reasonably estimated.

The Organization is currently evaluating the impact, if any, of the adoption of FIN 48 on the financial statements.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, various grants, accounts and contributions receivable, and investments. Contributions receivable consist of corporate contribution pledges, which are widely dispersed to mitigate credit risk, along with United Way receivables. The United Way receivables and grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. The Organization receives approximately 44% (42% in 2007) of its revenues, excluding donated services, from Legal Services Corporation.

The Organization maintains cash and investments at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) and/or Securities Investor Protection Corporation (SIPC) insurance up to statutory limits. The Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from \$100,000 to \$250,000 per depositor, effective October 3, 2008 through December 31, 2009. On October 14, 2008 the FDIC announced the "Temporary Liquidity Guarantee Program." Under the program, all non-interest bearing funds held by qualifying financial institutions for the period October 14, 2008 through December 31, 2009 are fully insured. As of December 31, 2008, approximately \$431,000 of cash and cash equivalents were uninsured.

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Certificates of deposit	\$ 367,284	\$ 358,846
Money market funds	409,734	437,270
Equity securities	643,120	859,073
Fixed income securities	<u>401,140</u>	<u>518,726</u>
	<u>\$1,821,278</u>	<u>\$2,173,915</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 4 - INVESTMENTS (CONTINUED)

A summary of investment income (loss) follows for the year ended December 31:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 72,240	\$ 93,732
Realized gains (losses) on investments	(54,190)	8,562
Unrealized gains (losses) on investments	<u>(337,213)</u>	<u>24,332</u>
Total investment income (loss)	<u>\$ (319,163)</u>	<u>\$ 126,626</u>

The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Organization's investments may have incurred additional declines in market value since year end.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Land	\$ 83,000	\$ 83,000
Buildings and improvements	479,582	479,582
Office furniture and computer equipment	<u>288,766</u>	<u>239,411</u>
	851,348	801,993
Less accumulated depreciation	<u>(473,654)</u>	<u>(408,785)</u>
	<u>\$ 377,694</u>	<u>\$ 393,208</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Contributions and receivables - time restriction	\$ 331,584	\$ 363,995
Contributions and receivables - purpose restriction:		
Loewenstein chair	1,537,720	1,537,720
Other	155,667	208,572
United Way receivable - time restriction	<u>68,394</u>	<u>85,523</u>
	<u>\$ 2,093,365</u>	<u>\$ 2,195,810</u>

NOTE 7 - DONATED SERVICES

Donated services consisted of the following for the years ended December 31:

	<u>2008</u>			<u>2007</u>		
	<u>Rate</u>	<u>Hours</u>	<u>Value of Donated Services</u>	<u>Rate</u>	<u>Hours</u>	<u>Value of Donated Services</u>
Attorneys	\$150 - \$175	5,933	\$1,019,747	\$150 - \$175	5,462	\$ 929,030
Paralegals	\$ 50	1,783	89,151	\$ 50	1,638	81,923
Law clerk/students	\$10 - \$14	5,137	58,418	\$10 - \$14	7,082	81,090
Other services			<u>41,162</u>			<u>46,235</u>
Total donated services			<u>\$1,208,478</u>			<u>\$1,138,278</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 8 - ALLOCATION OF MATCHING FUNDS

The Organization receives grants from the Greater Nashville Regional Council (Title III of the Older Americans Act Grant), the South Central Tennessee Development District Area Agency on Aging and Disability (Title III and Title VII of the Older Americans Act Grants), the Tennessee Department of Human Services (SSI Representation Grant and Food Stamp Education Grant), the Tennessee Department of Finance and Administration (VOCA and STOP Grant), and the U.S. Department of Treasury (Low-Income Taxpayer Clinic Grant). The Organization is required to match 10% of the Title III and Title VII grants, 20% of the VOCA (in 2007 only, 20% on SSI Representation Grants), 25% of the STOP Grant, and 50% of the Food Stamp Education Grant and the Low-Income Taxpayer Clinic Grant earned during the year. The new SSI Representation Grant contract with Tennessee Alliance for Legal Services does not have a matching requirement. For the years ended December 31, 2008 and 2007, these matches amounted to \$130,455 and \$192,336, respectively.

NOTE 9 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donor-designated endowment funds have been established with the Community Foundation of Middle Tennessee for the benefit of the Organization (one fund existed at December 31, 2007). The Community Foundation of Middle Tennessee has the ultimate authority and control over the funds and, therefore, these assets are not included in the financial statements of the Organization. Income distributed to the Organization is recognized in the year received. There were no such distributions in 2008 and 2007. Total assets held in these funds amounted to \$101,414 and \$19,635 at December 31, 2008 and 2007, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization leases its office space under various cancelable and non-cancelable operating leases with monthly rental payments ranging from \$650 to \$3,525 (excluding the Nashville office lease).

The Organization's Nashville office is leased under a ten-year non-cancelable operating lease that expires in 2013. The lease provides for annual scheduled rent increases and includes two 5-year renewal options. The Organization is also responsible for basic operating expenses, to be adjusted annually. Rent expense is recognized on the straight-line basis over the initial term of the lease. In addition, the Organization subleases a portion of this space to another not-for-profit agency at the same terms. Rent payments from the sublessee are reported on the straight-line basis as a reduction of rent expense. The excess of rent expense recognized, net of sublease income, over the amount paid and received is included in accrued expenses.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Organization also leases certain office equipment under non-cancelable operating leases expiring between June 2010 and October 2011.

A summary of aggregate future lease commitments for office space and various office equipment as of December 31, 2008, follows:

For the year ending December 31,	Office Space			Equipment	Total Net Lease Commitments
	Minimum Lease Commitments	Sublease Income	Net Lease Commitments	Minimum Lease Commitments	
2009	\$ 213,054	\$ 31,697	\$ 181,357	\$ 37,283	\$ 218,640
2010	204,166	32,644	171,522	35,376	206,898
2011	189,124	33,619	155,505	26,496	182,001
2012	180,016	34,635	145,381	-	145,381
2013	60,596	11,660	48,936	-	48,936
	<u>\$ 846,956</u>	<u>\$ 144,255</u>	<u>\$ 702,701</u>	<u>\$ 99,155</u>	<u>\$ 801,856</u>

Total rental expense recognized under all such agreements for the year ended December 31, 2008, amounted to approximately \$280,000 (\$266,000 in 2007), net of sublease income, for office space, and approximately \$55,000 (\$51,000 in 2007) for office equipment.

The Organization is self-insured for unemployment compensation. Unemployment compensation cost for the years ended December 31, 2008 and 2007, amounted to \$5,648 and \$766, respectively.

NOTE 11 - PENSION PLAN

The Organization's eligible employees are covered under a defined contribution employee benefit plan. At the discretion of the Board, contributions to the plan are made by the Organization on behalf of all eligible employees based on their compensation. Total pension plan expense of the Organization amounted to \$156,142, in 2008 (\$151,523 in 2007).

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 12 - FUNDRAISING EXPENSES

Fundraising expenses are comprised of the following for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Annual fundraising campaign	\$ 111,527	\$ 101,915
Recruiting volunteer attorneys	3,052	36,705
Obtaining other financial resources	<u>36,066</u>	<u>15,207</u>
	<u>\$ 150,645</u>	<u>\$ 153,827</u>

NOTE 13 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), for financial assets and financial liabilities. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. SFAS 157-2, *Effective Date of FASB Statement No. 157*, the Organization will delay application of SFAS No. 157 for non-financial assets and non-financial liabilities, until January 1, 2009. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The application of SFAS No. 157 in situations where the market for a financial asset is not active was clarified by the issuance of FSP No. SFAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, in October 2008. FSP No. SFAS 157-3 became effective immediately and did not significantly affect the methods by which the Organization determines the fair values of its financial assets.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

SFAS No. 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants could use in pricing the asset or liability, developed based on the best information available in the circumstances. In that regard, SFAS No. 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

A description of the valuation methodologies used for instruments measured at fair value as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Organization's financial assets and financial liabilities carried at fair value effective January 1, 2008. In general, fair value is based on quoted market prices, where available. If such quoted market prices are not available, fair value is based on internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Organization's creditworthiness among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Organization's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the valuation methodologies 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. Furthermore, the reported fair value amounts have not been comprehensively revalued since the presentation dates and, therefore, estimates of fair value after the balance sheet date may differ significantly from the amounts presented herein.

Financial assets measured at fair value on a recurring basis include the following:

Investments - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. If quoted market prices are not available, the fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy.

The following table summarizes financial assets measured at fair value on a recurring basis as of December 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
Investments	\$ 1,821,278	\$ -	\$ -	\$ 1,821,278

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008 AND 2007

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The Organization has no financial assets or liabilities that are measured on a non-recurring basis.

Effective January 1, 2008, the Organization also adopted the provisions of SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 permits the Company to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, thus the Company may record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principles, (ii) is irrevocable (unless a new election date occurs), and (iii) is applied only to entire instruments and not to portions of instruments. Adoption of SFAS No. 159 on January 1, 2008, did not have a significant impact on the Organization's financial statements.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Award Period</u>	<u>Award Amount</u>	<u>Accrued (Deferred) Revenue 12/31/2007</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Other</u>	<u>Accrued (Deferred) Revenue 12/31/2008</u>
<u>LEGAL SERVICES CORPORATION</u>									
Basic Field Grant	09.643040	(1)	N/A	1/1/08 - 12/31/08	\$ 2,507,508	\$ 2,507,508	\$ 2,507,508	\$ -	\$ -
<u>TOTAL LEGAL SERVICES CORPORATION</u>					-	2,507,508	2,507,508	-	-
<u>US DEPARTMENT OF AGRICULTURE</u>									
PASSED THROUGH TENNESSEE DEPARTMENT OF HUMAN SERVICES:									
Food Stamp Education Program	10.561	GR-05-16735-05	12/1/04 - 9/30/08	\$ 190,600	9,614	43,067	33,453	-	-
Food Stamp Education Program	10.561	GR-05-16735-07	12/1/04 - 9/30/09	\$ 123,203	-	2,784	11,070	-	8,286
<u>TOTAL US DEPARTMENT OF AGRICULTURE</u>					9,614	45,851	44,523	-	8,286
<u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>									
PASSED THROUGH CITY OF CLARKSVILLE:									
Community Development Block Grant	14.218	N/A	7/1/07 - 6/30/08	\$ 18,000	6,325	15,519	9,194	-	-
Community Development Block Grant	14.218	N/A	7/1/08 - 6/30/09	\$ 18,000	-	5,297	8,438	-	3,141
<u>TOTAL PASSED THROUGH CITY OF CLARKSVILLE</u>					6,325	20,816	17,632	-	3,141
PASSED THROUGH WEST TENNESSEE LEGAL SERVICES:									
Housing Counseling Assistance Program	14.169	HC07-0000-009	10/1/07 - 9/30/08	\$ 70,000	39,482	100,000	61,138	(620)	-
Housing Counseling Assistance Program	14.169	HC07-0000-009	10/1/08 - 9/30/09	\$ 65,000	-	-	39,379	-	39,379
Fair Housing Initiatives Program - Private Enforcement	14.408	FH700G05044	3/1/07 - 2/28/08	\$ 38,906	5,321	4,787	458	-	992
Fair Housing Initiatives Program - Private Enforcement	14.408	FH700G05044	3/1/08 - 2/28/09	\$ 38,906	-	-	6,518	-	6,518
<u>TOTAL PASSED THROUGH WEST TENNESSEE LEGAL SERVICES</u>					44,803	104,787	107,493	(620)	46,889
<u>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					51,128	125,603	125,125	(620)	50,030

(continued on next page)

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2008

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	Accrued (Deferred) Revenue 12/31/2007	Receipts	Expenditures	Other	Accrued (Deferred) Revenue 12/31/2008
<u>US DEPARTMENT OF JUSTICE</u>									
PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION:									
STOP Violence Against Women (Nashville)	16.588	Z-07-033038-00	7/1/06 - 6/30/09	\$ 67,308	\$ 2,039	\$ 23,600	\$ 22,875	\$ -	\$ 1,314
STOP Violence Against Women (Tulahoma and Columbia)	16.588	Z-07-033039-00	7/1/06 - 6/30/09	\$ 146,217	4,713	50,336	50,524	-	4,901
Victims of Crime Act (VOCA) (Clarksville)	16.575	Z-07-033097-00	7/1/06 - 6/30/09	\$ 171,874	4,656	49,888	49,624	-	4,392
Victims of Crime Act (VOCA) (Nashville)	16.575	Z-07-033113-00	7/1/06 - 6/30/09	\$ 167,337	4,652	58,227	57,676	-	4,101
Victims of Crime Act (VOCA) (Columbia and Tullahoma)	16.575	Z-07-033100-00	7/1/06 - 6/30/09	\$ 151,168	2,789	50,990	52,580	-	4,379
TOTAL PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION					18,849	233,041	233,279	-	19,087
PASSED THROUGH OFFICE ON VIOLENCE AGAINST WOMEN									
Legal Assistance for Victims Program	16.013	2008-WL-AX-0021	10/1/08-9/30/10	\$ 450,000	-	-	46,618	-	46,618
TOTAL PASSED THROUGH OFFICE ON VIOLENCE AGAINST WOMEN					-	-	46,618	-	46,618
PASSED THROUGH MINNESOTA PROGRAM DEVELOPMENT, INC/BWJP									
Military CCR Demonstration Project	16.526	N/A	2/1/07 - 6/30/09	\$ 114,235	4,975	54,374	52,240	-	2,841
TOTAL PASSED THROUGH MINNESOTA PROGRAM DEVELOPMENT, INC/BWJP					4,975	54,374	52,240	-	2,841
TOTAL US DEPARTMENT OF JUSTICE					23,824	287,415	332,137	-	68,546
<u>US DEPARTMENT OF THE TREASURY</u>									
Low-Income Taxpayer Clinic Grant Program	21.008	2007130	1/1/07 - 12/31/07	\$ 97,250	20,521	20,521	-	-	-
Low-Income Taxpayer Clinic Grant Program	21.008	2008129	1/1/08 - 12/31/08	\$ 100,000	-	69,244	100,000	-	30,756
TOTAL US DEPARTMENT OF THE TREASURY					20,521	89,765	100,000	-	30,756
<u>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
PASSED THROUGH THE GREATER NASHVILLE REGIONAL COUNCIL:									
Legal Assistance - Title III Priority	93.044	2006-07	7/1/07 - 6/30/08	\$ 40,800	6,932	26,432	19,500	-	-
Legal Assistance - Title III Priority	93.044	2009-07	7/1/08 - 6/30/09	\$ 40,800	-	14,962	21,568	-	6,606
TOTAL PASSED THROUGH THE GREATER NASHVILLE REGIONAL COUNCIL					6,932	41,394	41,068	-	6,606

(continued on next page)

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2008

Program Name	Federal CFDA Number	Contract Number	Award Period	Award Amount	Accrued (Deferred) Revenue 12/31/2007	Receipts	Expenditures	Other	Accrued (Deferred) Revenue 12/31/2008
PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT									
AREA AGENCY ON AGING AND DISABILITY									
Legal Assistance - Title III Priority	93.044	N/A	7/1/07 - 6/30/08	\$ 36,500	\$ (1,660)	\$ 15,200	\$ 16,860	\$ -	\$ -
Legal Assistance - Title III Priority	93.044	N/A	7/1/08 - 6/30/09	\$ 36,500	-	18,300	24,102	-	5,802
Legal Assistance - Title VII Priority - Elder Abuse	93.041	N/A	7/1/06 - 6/30/07	\$ 8,100	15	-	2,465	(2,480)	-
Legal Assistance - Title VII Priority - Elder Abuse	93.041	N/A	7/1/07 - 6/30/08	\$ 7,385	205	5,800	4,819	776	-
TOTAL PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT					(1,440)	39,300	48,246	(1,704)	5,802
AREA AGENCY ON AGING AND DISABILITY									
PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES									
Temporary Assistance for Needy Families - SSI Representation	93.558	(2)	7/1/07 - 6/30/08	\$ 131,200	8,881	50,823	41,942	-	-
Temporary Assistance for Needy Families - SSI Representation	93.558	(2)	7/1/08 - 6/30/09	\$ 131,200	-	18,045	31,916	-	13,871
TOTAL PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES					8,881	68,868	73,858	-	13,871
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES					14,373	149,562	163,172	(1,704)	26,279
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					\$ 119,460	\$ 3,205,704	\$ 3,272,465	\$ (2,324)	\$ 183,897

Summary of expenditures by CFDA number

09.643040	\$ 2,507,508
10.561	44,523
14.169	100,517
14.218	17,632
14.408	6,976
16.526	52,240
21.008	100,000
93.044	82,030
16.013	46,618
93.041	7,284
16.588	73,399
16.575	159,880
93.558	73,858
Total	\$ 3,272,465

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the grant activity of Legal Aid Society of Middle Tennessee and the Cumberlands, and is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Legal Services Corporation Audit Guide.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

SCHEDULE OF SUPPORT, REVENUE, EXPENSES AND
CHANGES IN NET ASSETS FOR LSC FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Basic Field Grant	Private Attorney Involvement	Total
SUPPORT AND REVENUE			
Grants and contracts - LSC	\$ 2,275,535	\$ 231,973	\$ 2,507,508
Contributions and foundation grants	23,158	177,929	201,087
Donated services	-	1,208,478	1,208,478
Total support and revenue	<u>2,298,693</u>	<u>1,618,380</u>	<u>3,917,073</u>
PERSONNEL EXPENSES			
Lawyers	540,397	125,920	666,317
Paralegals	99,870	37,252	137,122
Support staff	415,130	104,091	519,221
Employee benefits	374,713	34,298	409,011
Payroll taxes	69,198	20,071	89,269
Total personnel expenses	<u>1,499,308</u>	<u>321,632</u>	<u>1,820,940</u>
OTHER EXPENSES			
Donated services	-	1,208,478	1,208,478
Court costs and litigation	49,451	18,558	68,009
Dues and fees	961	1,019	1,980
Equipment rental and maintenance	44,569	1,600	46,169
Insurance	40,569	318	40,887
Occupancy	252,903	12,800	265,703
Postage	22,207	3,209	25,416
Printing and publications	60,027	1,770	61,797
Professional fees and contract services	80,410	40,087	120,497
Supplies	51,337	4,611	55,948
Telephone	71,347	1,800	73,147
Training	20,786	994	21,780
Travel	102,189	1,504	103,693
Total other expenses	<u>796,756</u>	<u>1,296,748</u>	<u>2,093,504</u>
TOTAL EXPENSES	<u>2,296,064</u>	<u>1,618,380</u>	<u>3,914,444</u>
SUPPORT AND REVENUE OVER EXPENSES	2,629	-	2,629
OTHER CHANGES IN NET ASSETS			
Acquisition of equipment	<u>(2,629)</u>	<u>-</u>	<u>(2,629)</u>
TOTAL CHANGES IN NET ASSETS	-	-	-
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>