NOVOGRADAC & COMPANY LLP®

Tennessee Justice Center, Inc. and Affiliate

Consolidated Financial Statements with Report of Independent Auditors
December 31, 2022

Report of Independent Auditors

To the Board of Directors of
Tennessee Justice Center, Inc. and Affiliate:

Opinion

We have audited the accompanying consolidated financial statements of Tennessee Justice Center, Inc. and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Justice Center, Inc. and Affiliate as of December 31, 2022, and the changes in their net assets and their 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Tennessee Justice Center, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Year Basis of Accounting

Tennessee Justice Center, Inc. and Affiliate have kept their records and have prepared their consolidated financial statements for previous years on the modified cash basis. As described in Note 1 to the financial statements, the organization has adopted accounting principles generally accepted in the United States of America as of the beginning of the current year. Appropriate adjustments have been made to net assets as of that date. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Tennessee Justice Center, Inc. and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Justice Center, Inc. and Affiliate'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the consolidating supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Novogradac & Company LLP

Dover, OH
August 25, 2023

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

		2022
ASSETS		
Current assets:		
Cash and cash equivalents	$	841,176
Restricted cash		3,922,705
Contributions receivable, net		325,009
Investments		1,724,709
Total current assets		6,813,599
Long-term assets:		
Contributions receivable, net		64,168
Loan receivable		6,602,400
Property and equipment, net		35,725
Land		1,100,000
Construction in process		4,564,078
Total long-term assets		12,366,371
Total assets	$	19,179,970
LIABILITIES		
Current liabilities:		
Accounts payable	$	3,188
Construction costs payable		1,080,849
Total current liabilities		1,084,037
Long-term liabilities:		
Loans payable		2,914,026
NMTC loans payable, net of unamortized debt issuance costs		8,324,261
Total long-term liabilities		11,238,287
Total liabilities		12,322,324
NET ASSETS		
Without donor restrictions:		
Undesignated		3,380,569
Total without donor restrictions		3,380,569
With donor restrictions		3,477,077
Total net assets		6,857,646
Total liabilities and net assets	$	19,179,970

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

		2022
CHANGES IN CONSOLIDATED NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues without donor restrictions:		
Contributions and foundation grants	$	2,893,663
Released from restriction for purpose accomplished, net		153,458
Dividends and investment income		50,739
Interest income		55,336
Contract revenue		30,365
Miscellaneous revenue		47,356
Realized/unrealized loss on investments		(234,884)
Total revenues without donor restrictions		2,996,033
Expenses:		
Salaries and benefits		1,955,937
Professional fees and other		143,059
Audit		29,008
Copies and printing		243
Insurance		9,781
Dues		4,877
Postage		12,384
Licenses and fees		5,415
Occupancy		245,371
Fundraising, events, and other		71,771
Other		27,624
Training		14,367
Grants		79,500
Depreciation		12,501
Travel		8,258
Moving		38
Total expenses		2,620,134
Change in net assets without donor restrictions		375,899
CHANGES IN CONSOLIDATED NET ASSETS WITH DONOR RESTRICTIONS		
Foundation grants and capital campaign contributions		653,493
Released from restriction for purpose accomplished		(153,458)
Change in net assets with donor restrictions		500,035
CHANGE IN NET ASSETS		875,934
NET ASSETS AT BEGINNING OF YEAR		5,981,712
NET ASSETS AT END OF YEAR	$	6,857,646

see accompanying notes

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services		
	Health & Children's Advocacy	Nutrition Advocacy	Legal Services and Partnerships	Total Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 382,173	$ 238,215	$ 882,195	$ 1,502,583	$ 227,472	$ 225,882	$ 1,955,937
Professional fees and other	24,804	7,488	80,855	113,147	20,769	9,143	143,059
Audit	-	-	-	-	29,008	-	29,008
Copies and printing	47	30	110	187	28	28	243
Insurance	-	-	-	-	9,781	-	9,781
Dues	501	59	1,737	2,297	789	1,791	4,877
Postage	8,527	-	-	8,527	490	3,367	12,384
Licenses and fees	452	381	3,075	3,908	1,507	-	5,415
Occupancy	47,952	29,951	110,734	188,637	28,367	28,367	245,371
Fundraising, events and other	-	-	-	-	-	71,771	71,771
Other	7,141	-	9,620	16,761	10,621	242	27,624
Training	-	-	-	-	14,367	-	14,367
Grants	79,500	-	-	79,500	-	-	79,500
Depreciation	2,445	1,524	5,642	9,611	1,446	1,444	12,501
Travel	-	-	-	-	1,680	6,578	8,258
Moving	8	5	17	30	4	4	38
Total expenditures	$ 553,550	$ 277,653	$ 1,093,985	$ 1,925,188	$ 346,329	$ 348,617	$ 2,620,134

see accompanying notes

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

		2022
CASH FLOWS FROM OPERTATING ACTIVITIES:		
Change in net assets	$	875,934
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation		12,501
Discount on contributions receivable		51,964
Realized/unrealized loss on investments		234,884
Increase in contributions receivable, net		(441,141)
Increase in accounts payable		3,188
Net cash provided by operating activities		737,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment, and construction in process		(2,617,740)
Increase in loan receivable		(6,602,400)
Purchases of investments		(236,332)
Net cash used in investing activities		(9,456,472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in loans payable		2,914,026
Increase in NMTC loans payable		8,820,000
Increase in debt issuance costs		(504,854)
Net cash provided by financing activities		11,229,172
Change in cash, cash equivalents, and restricted cash		2,510,030
Cash, cash equivalents, and restricted cash, beginning of year		2,253,851
Cash, cash equivalents, and restricted cash, end of year	$	4,763,881
Cash and cash equivalents		841,176
Restricted cash		3,922,705
Total cash, cash equivalents, and restricted cash	$	4,763,881
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Increase in property and equipment and construction in process financed by construction costs payable and debt issuance cost amortization	$	1,089,964
Cash paid for interest net of capitalized interest of $130,671	$	-

see accompanying notes

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

Nature of activities
Tennessee Justice Center, Inc. (TJC) is a nonprofit, public-interest law firm that provides free legal services to low-income Tennesseans experiencing problems accessing the state's healthcare and nutrition safety net programs. Working with individual clients, TJC also identifies systemic risks to the state's safety net programs and advocates for policy change for the benefit of all Tennesseans. TJC's funding for legal work and policy advocacy is provided by public and private sources and through voluntary services. TJC maintains one office in Nashville, Tennessee, where it serves clients throughout Tennessee.

TJC owns a 100% membership interest in TN Justice Properties, Inc. ("TJP"). TJP was formed in May 2021 as a supporting organization of Tennessee Justice Center, Inc and to qualify as a qualified active low-income community business (QALICB) under the new markets tax credit ("NMTC") program. TJP's assets at December 31, 2022 consist of land and building purchased during 2021 at 155 Lafayette Street, Nashville, TN, and improvements to the property that are financed using loans classified as NMTC loans payable on the consolidated statement of assets, liabilities, and net assets. TJC has also provided a leverage loan of $6,602,400 that is discussed in Note 5 to the consolidated financial statements as part of the NMTC structure. The building and improvements were placed in service in 2023 as discussed in Note 14.

Basis of presentation
Effective January 1, 2022, Tennessee Justice Center, Inc. and affliate (the "Organization") changed its reporting framework from modified cash basis to accounting principles generally accepted in the Unites States of America ("US GAAP"). The change to US GAAP did not have a material change to the financial statements.

The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with US GAAP. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including board-designated or appropriated amounts, are net assets without donor restrictions and are reported as part of the net assets without donor restrictions class.

Net assets and revenues, 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization'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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

Basis of presentation (continued)
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 increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of revenues, expenses, and other changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

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.

Principles of consolidation
The Organization's consolidated financial statements include the accounts of TJC and TJP. All significant intercompany accounts and transactions have been eliminated.

Property and equipment and construction in process
Property 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. The property at 155 Lafayette Street, Nashville, Tennessee is under construction and not available for use and listed in construction in process.

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

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance concerning the accounting for uncertainty in income taxes recognized in an entity's consolidated 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. There are no tax penalties or interest reported in the accompanying consolidated financial statements.

Use of estimates
The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

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

Allocation of functional expenses
The costs of providing program and other activities have been summarized 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 consist primarily of salaries and benefits expense which are allocated based on time and effort.

Contributions and pledges receivable
Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Revenue recognition
Revenue resulting from special events, fees charged by the Organization, refunded grants and other income is recognized when performance obligations are met.

Loans receivable and allowance for loan losses
Loans receivable are stated at unpaid principal balances, less an allowance for loan losses and net of deferred loan origination fees and unearned discounts, as applicable. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The Organization considers a loan impaired when based on current information or factors, it is probable that the Organization will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Organization has received specific information concerning the loan impairment. The Organization reviews delinquent loans to determine impaired accounts. The Organization measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows.

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

Loans receivable and allowance for loan losses (continued)
The Organization's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Organization believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectable interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectable. There were no loans on nonaccrual status at December 31, 2022.

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt. As of December 31, 2022, management believes that the Organization's loans receivable are fully collectable and as such, the allowance for loan loss is zero.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and recognized into income ratably over the term of the loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

Note 2—Liquidity and availability of resources

The Organization has a goal to structure its consolidated financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The table below represents consolidated financial assets available for general expenditures within one year at December 31:

	2022
Financial assets at year-end:	
Cash and cash equivalents and restricted cash	$ 4,763,881
Investments	1,724,709
Loan receivable	6,602,400
Total financial assets at year-end	13,090,990
Less amounts not available to be used for general expenditures within one year:	
Funds restricted by donors to be used for a specific purpose	3,477,077
Loan receivable	6,602,400
Financial assets not available to be used within one year	10,079,477
Financial assets available to meet general expenditures within one year	$ 3,011,513

Note 3—Restricted cash

Pursuant to various agreements, TJP has funds set aside for completion of construction and for the future payment of fees associated with the NMTC program. As of December 31, 2022, balances in these accounts are as follows:

	2022
Compliance and asset management fee reserves	$ 350,714
Disbursement and construction escrow	3,571,991
Total	$ 3,922,705

Note 4—Fair value measurements and investments

The Organization has adopted the fair value measurement topic of 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.

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 2022. 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.

Note 4—Fair value measurements and investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments reported at fair value as of December 31:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 300,128			$ 300,128
Mutual funds:				
Intermediate term bond	290,740	-	-	290,740
Short term bond	226,151	-	-	226,151
Foreign large blend	154,411	-	-	154,411
Large value	175,154	-	-	175,154
Small value	184,019	-	-	184,019
Large blend	103,279	-	-	103,279
Diversified emerging markets	72,855	-	-	72,855
Foreign small/mid blend	74,770	-	-	74,770
Small blend	89,748	-	-	89,748
Real estate	53,454	-	-	53,454
Total mutual funds	1,424,581	-	-	1,424,581
Total investments at fair value	$ 1,724,709	-	-	$ 1,724,709

During 2022, interest and dividends from investments totaled $50,739. Net realized and unrealized loss on investments totaled $234,884 for the year ended December 31, 2022.

Note 5—Loans receivable

On June 17, 2022, the Organization entered into a loan agreement with TJC Nashville Investment Fund, LLC (the "Borrower") that matures on June 17, 2052. The loan is in the amount of $6,602,400 and has an interest rate of 1.555265% per annum. The loan requires quarterly payments of interest-only through June 17, 2029. Commencing September 10, 2029, quarterly payments of principal and interest become due and payable. At maturity, the entire outstanding principal balance plus all accrued and unpaid interest become due and payable. As of December 31, 2022, the Organization had $6,602,400 in loans receivable from the Borrower.

Note 6—Loans payable

On June 17, 2022, the Organization obtained a loan (the "Source Loan") from Truist Bank. The loan is in the amount of $2,700,000 and has an interest rate of 3.340000% per annum. Interest and principal payments are due monthly. The Source Loan is secured by investment accounts, collateral assignment of the leverage loan documents, and pledges receivable as discussed in the commercial note agreement and matures on September 17, 2029. As of

Note 6—Loans payable (continued)

December 31, 2022, the principal balance remaining was $2,700,000, and accrued interest was $0. For the year ended December 31, 2022, interest incurred and capitalized was $43,102.

On June 17, 2022, the Organization obtained a loan (the "Bridge Loan") from Truist Bank. The loan is in the amount of $377,727 and has an interest rate of 3.250000% per annum. Interest only payments are due monthly through June 1,2024. Interest and principal payments are due monthly from June 1, 2024, through September 17, 2029. The Bridge Loan is secured by investment accounts, collateral assignment of the leverage loan documents, and pledges receivable as discussed in the commercial note agreement and matures on December 31, 2024. As of December 31, 2022, the principal balance remaining was $214,026, and accrued interest was $0. For the year ended December 31, 2022, interest incurred and capitalized was $11,442.

Annual principal payments are as follows:

Year ending December 31,	
2023	$ -
2024	261,895
2025	98,167
2026	101,496
2027	104,938
Thereafter	2,347,530
Total	$ 2,914,026

Note 7—NMTC loans payable

On June 17, 2022, the Organization obtained a loan (the "QLICI Loan A") from Partnerships of Hope 36, LLC. The loan is in the amount of $6,602,400 and has an interest rate of 1.601662% per annum. The loan requires quarterly interest-only payments through March 1, 2029, with an additional interest only payment due March 17, 2029. Commencing September 1, 2029, payments of interest and principal are due quarterly. The QLICI Loan A is secured by a mortgage and matures on June 17, 2052. As of December 31, 2022, the principal balance remaining was $6,602,400, and accrued interest was $0. For the year ended December 31, 2022, interest incurred and capitalized was $56,986.

On June 17, 2022, the Organization obtained a loan (the "QLICI Loan B") from Partnerships of Hope 36, LLC. The loan is in the amount of $2,217,600 and has an interest rate of 1.601662% per annum. The loan requires quarterly interest-only payments through March 1, 2029, with an additional interest only payment due March 17, 2029. Commencing September 1, 2029, payments of interest and principal are due quarterly. The QLICI Loan B is secured by a mortgage and matures on June 17, 2052. As of December 31, 2022, the principal balance remaining was $2,217,600, and accrued interest was $0. For the year ended December 31, 2022, interest incurred and capitalized was $19,141.

NMTC notes payable consists of the following as of December 31:

	2022
Principal balance	$ 8,820,000
Less: unamortized debt issuance costs	495,739
Note payable, net of unamortized debt issuance costs	$ 8,324,261

During 2022, debt issuance cost amortization of $9,115 was capitalized into CIP as additional capitalized interest.

Note 7—NMTC loans payable (continued)

Annual principal payments are as follows:

Year ending December 31,	
2023	$ -
2024	-
2025	-
2026	-
2027	-
Thereafter	8,820,000
Total	$ 8,820,000

Note 8—Contributions receivable

Contributions receivable at December 31, 2022 are as follows:

	2022
Due within one year	$ 325,009
Due within two to seven years	116,132
Gross contributions receivable	441,141
Less discount to reflect contributions receivable at present value	51,964
Total contributions receivable, net	$ 389,177

Note 9—Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	2022
Capital Campaign Contributions	$ 3,492,257
Melkus Fellowship	10,817
King Child Fellowship	(10,747)
King Nutrition Fellowship	(15,250)
	$ 3,477,077

Note 10—Employee retirement plan

In May 2021, the Organization established a 401(k) plan. Employees are eligible to participate in the plan starting on the first of the month following one year of employment. The Board of Trustees approved discretionary contributions of $69,871 to the plan in 2022.

Note 11—Concentrations

The Organization receives support from various foundations, corporate, and individual donors. During the year ended December 31, 2022, no donor contributed more than 10% of the Organization’s revenues.

Note 12—Operating lease

The Organization leases property pursuant to the Lease Agreement dated March 1, 2021. The leased property includes an office building known as the Historic Castner Knott Building. The lease has a 1-year term with the option to renew on a month-to-month basis. The lease was extended on March 1, 2022 and is now a month-to-month lease and rent is recorded as incurred.

Note 13—Capital campaign

In December 2020, the Organization launched a capital campaign to raise funds for the acquisition and renovation of permanent office space for the Organization. Capital campaign contribution collections amounted to $653,493 for the year ended December 31, 2022.

Note 14—Subsequent events

In July 2023, the building and improvements owned by TJP were placed in service, and it began leasing the property to TJC. The lease between TJC and TJP will be eliminated in consolidation.

The Organization terminated its lease at 618 Church Street on July 31, 2023, and is no longer incurring monthly rent of $18,288 – see Note 12.

The Organization paid off the Bridge Loan ($377,727) in April 2023 as referenced in Note 6.

The Organization has paid down the Source Loan ($2,700,000) as referenced in Note 6 to $1,931,983 as of August 25, 2023.

The Organization has evaluated subsequent events through August 25, 2023, when these consolidated financial statements were available to be issued.

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

	Tennessee Justice Center, Inc.	TN Justice Properties, Inc.	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 841,176	$ -	$ -	$ 841,176
Restricted cash	-	3,922,705	-	3,922,705
Contributions receivable, net	325,009	-	-	325,009
Investments	1,724,709	-	-	1,724,709
Due from related party	167,680	-	(167,680)	-
Total current assets	3,058,574	3,922,705	(167,680)	6,813,599
Long-term assets:				
Contributions receivable, net	64,168	-	-	64,168
Loan receivable	6,602,400	-	-	6,602,400
Property and equipment, net	35,725	-	-	35,725
Land	-	1,100,000	-	1,100,000
Construction in process	15,803	4,548,275	-	4,564,078
Total long-term assets	6,718,096	5,648,275	-	12,366,371
				-
Total assets	$ 9,776,670	$ 9,570,980	$ (167,680)	$ 19,179,970
LIABILITIES				
Current liabilities:				-
Accounts payable	$ 3,188	$ -	$ -	$ 3,188
Construction costs payable	-	1,080,849	-	1,080,849
Due to related party	-	167,680	(167,680)	-
Total current liabilities	3,188	1,248,529	(167,680)	1,084,037
Long-term liabilities:				
Loans payable	2,914,026	-	-	2,914,026
NMTC loans payable, net of unamortized debt issuance costs	-	8,324,261	-	8,324,261
Total long-term liabilities	2,914,026	8,324,261	-	11,238,287
Total liabilities	2,917,214	9,572,790	(167,680)	12,322,324
NET ASSETS				
Without donor restrictions:				
Undesignated	3,382,379	(1,810)	-	3,380,569
Total without donor restrictions	3,382,379	(1,810)	-	3,380,569
With donor restrictions	3,477,077	-	-	3,477,077
Total net assets	6,859,456	(1,810)	-	6,857,646
Total liabilities and net assets	$ 9,776,670	$ 9,570,980	$ (167,680)	$ 19,179,970

TENNESSEE JUSTICE CENTER, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Tennessee Justice Center, Inc.	TN Justice Properties, Inc.	Eliminations	Consolidated
CHANGES IN CONSOLIDATED NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues without donor restrictions:				
Contributions and foundation grants	$ 2,893,663	$ -	$ -	$ 2,893,663
Released from restriction for purpose accomplished, net	153,458	-	-	153,458
Dividends and investment income	50,739	-	-	50,739
Interest income	55,336	-	-	55,336
Contract revenue	30,365	-	-	30,365
Miscellaneous Revenue	47,356	-	-	47,356
Realized/unrealized gain (loss) on investments	(234,884)	-	-	(234,884)
Total revenues without donor restrictions	2,996,033	-	-	2,996,033
Expenses:				
Salaries and benefits	1,955,937	-	-	1,955,937
Professional fees and other	143,059	-	-	143,059
Audit	29,008	-	-	29,008
Copies and printing	243	-	-	243
Insurance	9,781	-	-	9,781
Dues	4,726	151	-	4,877
Postage	12,384	-	-	12,384
Licenses and fees	5,415	-	-	5,415
Occupancy	245,371	-	-	245,371
Fundraising, events, and other	71,771	-	-	71,771
Other	26,054	1,570	-	27,624
Training	14,367	-	-	14,367
Grants	79,500	-	-	79,500
Depreciation	12,501	-	-	12,501
Travel	8,258	-	-	8,258
Moving	38	-	-	38
Total expenses	2,618,413	1,721	-	2,620,134
Change in net assets without donor restrictions	377,620	(1,721)	-	375,899
				-
CHANGES IN CONSOLIDATED NET ASSETS WITH DONOR RESTRICTIONS				-
Foundation grants and capital campaign contributions	653,493	-	-	653,493
Released from restriction for purpose accomplished	(153,458)	-	-	(153,458)
Change in net assets with donor restrictions	500,035	-	-	500,035
				-
CHANGE IN NET ASSETS	877,655	(1,721)	-	875,934
NET ASSETS AT BEGINNING OF YEAR	5,981,801	(89)	-	5,981,712
NET ASSETS AT END OF YEAR	$ 6,859,456	$ (1,810)	$ -	$ 6,857,646