

TENNESSEE ALLIANCE FOR LEGAL SERVICES

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for Year Ended December 31, 2019

And Report of Independent Auditor

TENNESSEE ALLIANCE FOR LEGAL SERVICES
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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Alliance for Legal Services (the "Alliance") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Alliance for Legal Services as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8, the Alliance's business could be impacted by the novel strain of coronavirus ("COVID-19") although such financial impact, if any, cannot presently be determined. Our opinion is not modified with respect to this matter.

Other Matters - Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of the Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control over financial reporting and compliance.

Handwritten signature of Cheryl Bekant LLP in cursive script.

Nashville, Tennessee

June 22, 2020

TENNESSEE ALLIANCE FOR LEGAL SERVICES
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Current Assets:

| | | |
|---------------------------------|----|---------|
| Cash and cash equivalents | \$ | 312,879 |
| Investments | | 83,660 |
| Accounts receivable | | 5,725 |
| Grants and contracts receivable | | 346,335 |
| Prepaid expenses | | 51,958 |
| Total Current Assets | | 800,557 |

Office furniture and equipment,

net of accumulated depreciation of \$99,971

Other assets

Total Assets

\$ 835,162

LIABILITIES AND NET ASSETS

Current Liabilities:

| | | |
|---------------------------------------|----|---------|
| Accounts payable and accrued expenses | \$ | 26,159 |
| Grants payable | | 322,747 |
| Deferred revenue | | 69,674 |
| Total Current Liabilities | | 418,580 |

Net Assets:

Without donor restrictions

Total Liabilities and Net Assets

\$ 835,162

TENNESSEE ALLIANCE FOR LEGAL SERVICES
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

Support and Revenue:

| | |
|---|------------------|
| Government grants and contract income | \$ 2,395,442 |
| 1-844-Help4TN grants | 33,960 |
| Equal Justice University Conference | 65,168 |
| HELP4TN.org grants | 63,915 |
| Other income (including \$69,934 in-kind) | 73,523 |
| TN Free Legal Answers | 3,000 |
| Interest income | 508 |
| Investment gain, net | 14,323 |
| Total Support and Revenue | <u>2,649,839</u> |

Expenses:

| | |
|------------------|------------------|
| Program services | 2,391,822 |
| Administrative | 161,107 |
| Fundraising | 8,908 |
| Outreach | 44,464 |
| Total Expenses | <u>2,606,301</u> |

| | |
|--|-------------------|
| Change in net assets | 43,538 |
| Net assets without donor restrictions, beginning of year | <u>373,044</u> |
| Net assets without donor restrictions, end of year | <u>\$ 416,582</u> |

TENNESSEE ALLIANCE FOR LEGAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | | | | | | | | | Support Services | | | | Total Expenses |
|-------------------------------|------------------|---------------------|------------------|------------------------|-----------------------|-------------------|-------------------------|--------------------------|-----------------|------------------|---------------------|-------------------|-----------------|------------------|-------------------|---------------------|
| | Task Force | State Contracts | HELP-4TN.org | Legislative and Policy | TN Free Legal Answers | 1-844-Help4TN | Worker's Comp Legal Aid | Equal Justice University | Law Search Pro | General Programs | Total | Administrative | Fundraising | Outreach | Total | |
| Legal assistance | \$ - | \$ 1,692,285 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,692,285 | \$ - | \$ - | \$ - | \$ - | \$ 1,692,285 |
| Salaries and taxes | 4,753 | 17,742 | 17,500 | 371 | 4,806 | 177,484 | 3,200 | 40,908 | 1,635 | - | 268,399 | 109,219 | 6,195 | 29,575 | 144,989 | 413,388 |
| Professional fees | | | | | | | | | | | | | | | | |
| (including \$69,934 in-kind) | 289 | 9,566 | 2,297 | 39,480 | 289 | 70,904 | 36,000 | 2,581 | 96 | 289 | 161,791 | 7,066 | 386 | 1,809 | 9,261 | 171,052 |
| Employee benefits | 807 | 3,001 | 2,616 | 82 | 698 | 27,738 | 596 | 8,992 | 285 | - | 44,815 | 21,362 | 1,218 | 5,625 | 28,205 | 73,020 |
| Donated program services | - | - | 13,667 | - | 45,450 | - | 9,179 | 1,639 | - | - | 69,935 | - | - | - | - | 69,935 |
| Equal Justice University | | | | | | | | | | | | | | | | |
| Conference expense | - | - | - | - | - | - | - | 48,932 | - | - | 48,932 | - | - | - | - | 48,932 |
| Rent | 465 | 1,743 | 1,665 | 39 | 465 | 15,975 | - | 4,143 | 155 | 465 | 25,115 | 11,346 | 620 | 2,904 | 14,870 | 39,985 |
| Telephone and internet | 209 | 415 | 4,878 | 4 | 44 | 22,694 | - | 643 | 250 | 44 | 29,181 | 1,077 | 59 | 276 | 1,412 | 30,593 |
| Information technology | 182 | 626 | 698 | 14 | 167 | 5,501 | - | 1,489 | 56 | 1,355 | 10,088 | 3,716 | 223 | 1,044 | 4,983 | 15,071 |
| Staff travel | 4 | 1,460 | 1,143 | - | 681 | 284 | - | 3,038 | - | 27 | 6,637 | 4,074 | - | 2,257 | 6,331 | 12,968 |
| Staff costs | - | - | - | 190 | - | 967 | - | - | - | 5,625 | 6,782 | 6,060 | - | - | 6,060 | 12,842 |
| Outreach | 179 | - | 3,317 | - | 70 | 393 | - | - | 257 | 1,235 | 5,451 | 135 | - | - | 135 | 5,586 |
| Insurance | 47 | 174 | 167 | 4 | 47 | 1,585 | - | 415 | 16 | 47 | 2,502 | 1,136 | 62 | 291 | 1,489 | 3,991 |
| Depreciation | 36 | 136 | 130 | 3 | 36 | 1,148 | - | 323 | 12 | 36 | 1,860 | 885 | 48 | 227 | 1,160 | 3,020 |
| Office equipment | 21 | 79 | 75 | 2 | 20 | 1,230 | - | 587 | 7 | 21 | 2,042 | 513 | 28 | 131 | 672 | 2,714 |
| Office supplies | 31 | 115 | 110 | 3 | 31 | 972 | - | 274 | 10 | 31 | 1,577 | 834 | 41 | 192 | 1,067 | 2,644 |
| Board of Directors | | | | | | | | | | | | | | | | |
| meeting costs | - | - | - | - | - | - | - | 1,525 | - | - | 1,525 | 717 | - | - | 717 | 2,242 |
| CLE filing expense | - | - | - | - | - | - | - | 1,383 | - | - | 1,383 | - | - | - | - | 1,383 |
| Dues and subscriptions | 16 | 59 | 56 | - | 16 | 496 | - | 140 | 5 | 16 | 804 | 382 | 21 | 98 | 501 | 1,305 |
| Taxes, fees, licenses | - | - | - | 300 | - | - | - | - | - | - | 300 | 805 | - | - | 805 | 1,105 |
| Task force | 731 | - | - | - | - | - | - | - | - | - | 731 | - | - | - | - | 731 |
| Printing and reproduction | 6 | 20 | 20 | - | 6 | 177 | - | 50 | 2 | 6 | 287 | 137 | 7 | 35 | 179 | 466 |
| Other expense | - | - | - | - | - | - | - | - | - | - | - | 450 | - | - | 450 | 450 |
| Bank fees | 7 | - | - | - | - | 98 | - | 192 | 20 | 3 | 320 | 2 | - | - | 2 | 322 |
| Other events | - | - | 167 | - | - | - | - | - | - | - | 167 | - | - | - | - | 167 |
| Postage | - | - | 18 | - | - | 19 | - | - | - | - | 37 | 67 | - | - | 67 | 104 |
| Indirect allocations - grants | - | - | - | - | - | 8,496 | 380 | - | - | - | 8,876 | (8,876) | - | - | (8,876) | - |
| | <u>\$ 7,783</u> | <u>\$ 1,727,421</u> | <u>\$ 48,524</u> | <u>\$ 40,492</u> | <u>\$ 52,826</u> | <u>\$ 336,161</u> | <u>\$ 49,355</u> | <u>\$ 117,254</u> | <u>\$ 2,806</u> | <u>\$ 9,200</u> | <u>\$ 2,391,822</u> | <u>\$ 161,107</u> | <u>\$ 8,908</u> | <u>\$ 44,464</u> | <u>\$ 214,479</u> | <u>\$ 2,606,301</u> |

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

TENNESSEE ALLIANCE FOR LEGAL SERVICES **STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:

| | | |
|---|----|------------------|
| Change in net assets | \$ | 43,538 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | | 3,020 |
| Realized and unrealized gain on securities, net | | (13,099) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | (1,420) |
| Grants and contracts receivable | | (148,463) |
| Prepaid expenses | | (42,768) |
| Accounts payable and accrued expenses | | 16,420 |
| Grants payable | | (81,531) |
| Deferred revenue | | <u>(53,322)</u> |
| Net cash flows from operating activities | | <u>(277,625)</u> |

Cash flows from investing activities:

| | | |
|--|--|-----------------|
| Purchase of investments | | (1,225) |
| Purchase of office furniture and equipment | | <u>(32,768)</u> |
| Net cash flows from investing activities | | <u>(33,993)</u> |

| | | |
|--|----|-----------------------|
| Net decrease in cash and cash equivalents | | (311,618) |
| Cash and cash equivalents, beginning of year | | <u>624,497</u> |
| Cash and cash equivalents, end of year | \$ | <u><u>312,879</u></u> |

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Nature of Operations – Tennessee Alliance for Legal Services (the “Alliance”) is a statewide nonprofit corporation that strengthens the delivery of civil legal help to vulnerable Tennesseans by serving as a statewide coordination point for civil justice issues; educating policy makers, advocates, and the public about civil justice issues and connecting vulnerable Tennesseans with civil legal help.

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Alliance and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Alliance. These net assets may be used at the discretion of the Alliance’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Alliance or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Alliance had no net assets with donor restrictions at December 31, 2019.

Adoption of New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively, ASC 606). The implementation of this new standard had no significant impact on the Alliance’s financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Alliance adopted the provisions of ASU 2018-08. The implementation of this new standard had no significant impact on the Alliance’s financial statements.

Cash Equivalents – The Alliance considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in the statement of activities.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Fair Value Measurements – Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

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

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

Level 3 – Inputs to the valuation methodology are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis:

Mutual Funds – Valued at the net unit value of the shares held by the Alliance at year-end based on the underlying fund closing price.

No changes in the valuation methodologies were made during 2019.

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

Receivables – Accounts and grants receivable are reviewed periodically as to their collectability. Management provides for losses on receivables using the allowance method. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at December 31, 2019.

Office Furniture and Equipment – Office furniture and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 5 years. Expenditures for repairs and maintenance are charged to expense as incurred. Major purchases and betterments are capitalized.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

Income Tax Status – The Alliance is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”), and the Alliance is classified as an organization that is not a private foundation as defined in Section 509(a) of the IRC. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Alliance follows FASB Accounting Standards Codification guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Alliance has not recognized any tax related interest and penalties in the accompanying financial statements.

Revenue – Grant awards are recognized when the grantor makes a promise to give to the Alliance that is, in substance, unconditional. Grant awards that are restricted by the grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grant awards are recognized. All other grantor-restricted grant awards are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and wages expense which was allocated based on time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2021. The Alliance is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 2—Employee benefit plans

The employees of the Alliance are covered under a simplified employee pension (“SEP”) plan. Contributions are made by the Alliance to the SEP plan on behalf of all employees, as determined by the Board of Directors based on each employee's total compensation. Retirement expense for the year ended December 31, 2019 was \$11,360.

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 3—Investments

Investments are stated at fair value determined based on active markets (Level 1), and consist of the following at December 31, 2019:

| | |
|------------------------------------|-----------|
| Mutual funds - moderate allocation | \$ 83,660 |
|------------------------------------|-----------|

Investment loss, net consists of the following for the year ended December 31, 2019:

| | |
|--|------------------|
| Interest and dividends | \$ 1,224 |
| Realized and unrealized gain on investments, net | 13,099 |
| | <u>\$ 14,323</u> |

Note 4—Concentrations

Substantially all of the Alliance's receivables are from State of Tennessee contracts and grants. Approximately 91% of support and revenues were derived from these contracts and grants during the year ended December 31, 2019.

At times, the Alliance may maintain cash balances in banks in excess of the Federal Deposit Insurance Corporation insured limit of \$250,000. The Alliance has not experienced any losses in such accounts and management believes the Alliance is not exposed to any significant credit risk related to cash.

Note 5—Operating lease commitments

The Alliance entered into a lease agreement for its office space on July 17, 2007. The lease agreement has been amended to extend the term of the lease through July 31, 2023. The Alliance subleases a portion of its office space to their independent contractors and the National Association of Social Workers.

Rent expense and related sublease rent income totaled \$67,314 and \$27,330, respectively, for the year ended December 31, 2019.

The Alliance entered into an operating agreement for a copy machine. Total payments for office equipment were \$1,764 for the year ended December 31, 2019.

The Alliance's future minimum lease payments at December 31, 2019 are as follows:

Years Ending December 31,

| | |
|------|-------------------|
| 2020 | \$ 65,974 |
| 2021 | 66,899 |
| 2022 | 67,677 |
| 2023 | 38,850 |
| 2024 | - |
| | <u>\$ 239,400</u> |

TENNESSEE ALLIANCE FOR LEGAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

Note 6—Donated services

Officers, members of the Board of Directors, and other members of the Alliance have assisted the Alliance in the accomplishment of its goals and objectives by the donation of their time and services. These services include providing legal advice and assistance for the vulnerable populations of Tennessee. Donated services recognized in 2019 totaled \$69,934.

Note 7—Liquidity and availability of resources

The Alliance regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Alliance considers all expenditures related to its ongoing activities of delivering civil legal help to vulnerable Tennesseans as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

Financial assets at year-end:

| | |
|---------------------------|------------|
| Cash and cash equivalents | \$ 312,879 |
| Investments | 83,660 |

| | |
|---|-------------------|
| Financial assets available to meet general expenditures within one year | <u>\$ 396,539</u> |
|---|-------------------|

Note 8—Subsequent events

The Alliance evaluated subsequent events through June 22, 2020, when these financial statements were available to be issued. Towards the end of December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen which could possibly have a negative impact the Alliance’s revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time.

SUPPLEMENTAL INFORMATION

TENNESSEE ALLIANCE FOR LEGAL SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED DECEMBER 31, 2019

| Grant Description | CFDA Number | Contract Number | Expenditures | Passed through to Subrecipients |
|--|-------------|-----------------|---------------------|---------------------------------|
| Federal Awards: | | | | |
| <u>U.S. Department of Human Services</u> | | | | |
| <i>Passed through State of Tennessee, Department of Human Services</i> | | | | |
| Assistance to Disabled Families First Participants | | | | |
| Qualifying for Supplemental Security Income | 93.558 | 53628 | \$ 38,309 | \$ 34,478 |
| Pilot Project | 93.558 | 51661 | 37,695 | 31,459 |
| Total Department of Human Services | | | 76,004 | 65,937 |
| Total Federal Awards | | | 76,004 | 65,937 |
| State Financial Assistance: | | | | |
| <i>State of Tennessee, Department of Human Services</i> | | | | |
| Assistance to Disabled Families First Participants | | | | |
| Qualifying for Supplemental Security Income | 93.558 | 53628 | 77,779 | 70,001 |
| Pilot Project | 93.558 | 51661 | 76,533 | 63,872 |
| Total State of Tennessee Department of Human Services | | | 154,312 | 133,873 |
| <i>State of Tennessee, Commission on Aging and Disability</i> | | | | |
| Senior Line | n/a | 53834 | 21,736 | - |
| Senior Trust/Elder Trust | n/a | STTRUST-TALS | 1,631,065 | 1,492,475 |
| Total State of Tennessee Commission on Aging and Disability | | | 1,652,801 | 1,492,475 |
| <i>Administrative Office of the Courts</i> | | | | |
| Civil Legal Representation of Indigents Funds | n/a | n/a | 463,724 | - |
| Helpline | n/a | 30562 | 46,988 | - |
| Access to Justice Court Kiosk Pilot Project | n/a | n/a | 1,613 | - |
| Total State of Tennessee Administrative Office of the Courts | | | 512,325 | - |
| Total State Financial Assistance | | | 2,319,438 | 1,626,348 |
| Total Federal Awards and State Financial Assistance | | | \$ 2,395,442 | \$ 1,692,285 |

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") summarizes the expenditures of Tennessee Alliance for Legal Services under programs of the federal and state governments for the year ended December 31, 2019. The Schedule is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the State of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Government Units and Other Organizations.

Note 2—Summary of significant accounting policies

Tennessee Alliance for Legal Services expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimus cost rate allowed under the Uniform Guidance.

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tennessee Alliance for Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee Alliance for Legal Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Tennessee Alliance for Legal Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tennessee Alliance for Legal Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekant LLP

Nashville, Tennessee
June 22, 2020