

LEGAL AID OF EAST TENNESSEE

LSC GRANT RECIPIENT: 643020

FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2022 AND 2021

LEGAL AID OF EAST TENNESSEE  
FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
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DECEMBER 31, 2022 AND 2021  
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**Legal Aid of East Tennessee**

**Board of Directors**

**December 31, 2022**

Aaron Chapman – President

Christina Magrans-Tillery – Vice President

Stephen Barham – Secretary

Joanie Sompayrac – Treasurer

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Charles Wille

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Legal Aid of East Tennessee  
Chattanooga, Tennessee

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Legal Aid of East Tennessee (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid of East Tennessee as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

EMPHASIS OF MATTER

As discussed in Note 3 to the financial statements, the Organization has elected to change its method of accounting for leases during the year ended December 31, 2022. Our opinion is not modified with respect to this matter.

## RESPONSIBILITIES OF MANAGEMENT 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.

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government 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, internal omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence that judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 ADDITIONAL INFORMATION

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards on pages 24-26 and schedule of revenue, expenses and changes in net assets for LSC funds on page 27, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Legal Services Corporation (“LSC”) *Audit Guide*, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. The information on pages 28-31 is also presented for 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 on pages 24-31 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 INFORMATION

Management is responsible for the other information included in the financial statements. The other information comprises the board of directors listing on page i but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April \_\_, 2023 on our consideration of Legal Aid of East Tennessee’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 solely 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 effectiveness of 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 Legal Aid of East Tennessee’s internal control over financial reporting and compliance.

*Kraft+CPAs PLLC*

Nashville, Tennessee  
April 25, 2023

LEGAL AID OF EAST TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,735,275	\$ 1,580,193
Federal, state and local grants receivable	259,162	304,156
Promises to give	258,007	207,398
Prepaid expenses and other	45,576	27,879
Property and equipment, net	119,834	119,511
Operating leases, right-of-use assets	882,242	-
Beneficial interest in grant endowment fund held by the East Tennessee Foundation	46,992	54,468
Restricted cash - client escrow funds	<u>12,407</u>	<u>12,315</u>
 TOTAL ASSETS	 <u>\$ 3,359,495</u>	 <u>\$ 2,305,920</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accounts payable	\$ 27,225	\$ 20,909
Accrued salaries	146,490	148,674
Accrued leave	340,784	321,298
Accrued expenses and other	117,573	13,067
Deferred revenue:		
LSC grants	247,315	245,731
Operating leases, right-of-use liabilities	889,322	-
Client escrow funds	<u>12,407</u>	<u>12,315</u>
 TOTAL LIABILITIES	 <u>1,781,116</u>	 <u>761,994</u>
 NET ASSETS		
Net assets without donor restrictions	914,697	1,002,757
Net assets with donor restrictions	<u>663,682</u>	<u>541,169</u>
 TOTAL NET ASSETS	 <u>1,578,379</u>	 <u>1,543,926</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,359,495</u>	 <u>\$ 2,305,920</u>

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

LEGAL AID OF EAST TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			TOTAL
		LSC	NON-LSC	TOTAL	
REVENUES AND SUPPORT					
Federal, state and local awards	\$ -	\$ 3,155,959	\$ 2,594,747	\$ 5,750,706	\$ 5,750,706
Attorney fees	2,100	-	-	-	2,100
Contributions of financial assets	136,774	5	-	5	136,779
Contributions of nonfinancial assets	50,593	-	-	-	50,593
Change in value of beneficial interest in agency endowment fund held by East Tennessee Foundation	(7,476)	-	-	-	(7,476)
Interest income	2,550	404	-	404	2,954
Donated services	-	367,504	-	367,504	367,504
Net assets released from restrictions	5,996,106	(3,529,466)	(2,466,640)	(5,996,106)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>6,180,647</b>	<b>(5,594)</b>	<b>128,107</b>	<b>122,513</b>	<b>6,303,160</b>
OPERATING EXPENSES					
Program services	5,447,811	-	-	-	5,447,811
Supporting services:					
Management and general	590,119	-	-	-	590,119
Fundraising	230,777	-	-	-	230,777
<b>TOTAL OPERATING EXPENSES</b>	<b>6,268,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,268,707</b>
CHANGE IN NET ASSETS	(88,060)	(5,594)	128,107	122,513	34,453
NET ASSETS - BEGINNING OF YEAR	1,002,757	95,440	445,729	541,169	1,543,926
NET ASSETS - END OF YEAR	\$ 914,697	\$ 89,846	\$ 573,836	\$ 663,682	\$ 1,578,379

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



LEGAL AID OF EAST TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			TOTAL
		LSC	NON-LSC	TOTAL	
REVENUES AND SUPPORT					
Federal, state and local awards	\$ -	\$ 2,926,860	\$ 2,987,117	\$ 5,913,977	\$ 5,913,977
Attorney fees	300	1,725	-	1,725	2,025
Contributions	110,481	-	-	-	110,481
Change in value of beneficial interest in agency endowment fund held by East Tennessee Foundation	6,327	-	-	-	6,327
Interest income	1,769	177	-	177	1,946
Miscellaneous income	3,569	-	-	-	3,569
Donated services	-	540,496	-	540,496	540,496
Net assets released from restrictions	<u>6,343,416</u>	<u>(3,487,191)</u>	<u>(2,856,225)</u>	<u>(6,343,416)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>6,465,862</u>	<u>(17,933)</u>	<u>130,892</u>	<u>112,959</u>	<u>6,578,821</u>
OPERATING EXPENSES					
Program services	5,503,757	-	-	-	5,503,757
Supporting services:					
Management and general	563,954	-	-	-	563,954
Fundraising	<u>112,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,338</u>
TOTAL OPERATING EXPENSES	<u>6,180,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,180,049</u>
CHANGE IN NET ASSETS	285,813	(17,933)	130,892	112,959	398,772
NET ASSETS - BEGINNING OF YEAR	<u>716,944</u>	<u>113,373</u>	<u>314,837</u>	<u>428,210</u>	<u>1,145,154</u>
NET ASSETS - END OF YEAR	<u>\$ 1,002,757</u>	<u>\$ 95,440</u>	<u>\$ 445,729</u>	<u>\$ 541,169</u>	<u>\$ 1,543,926</u>

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

LEGAL AID OF EAST TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<b>PERSONNEL EXPENSES</b>				
Lawyers	\$ 2,159,522	\$ 247,166	\$ 64,975	\$ 2,471,663
Paralegals	713,090	81,894	23,955	818,939
Support staff	475,878	61,586	78,397	615,861
Employee benefits	928,860	107,900	42,242	1,079,002
<b>TOTAL PERSONNEL EXPENSES</b>	<u>4,277,350</u>	<u>498,546</u>	<u>209,569</u>	<u>4,985,465</u>
<b>OTHER EXPENSES</b>				
Audit	31,084	3,499	402	34,985
Building maintenance	5,272	598	108	5,978
Communications	47,678	5,394	873	53,945
Contract services	202,164	22,981	4,665	229,810
Depreciation	22,648	2,516	-	25,164
Dues and fees	34,071	4,078	2,634	40,783
Equipment rental and maintenance	33,311	3,762	546	37,619
Insurance	27,011	3,061	541	30,613
Janitorial	17,605	1,984	255	19,844
Library	12,552	1,432	332	14,316
Litigation	4,240	471	-	4,711
Operating expenses - other	32,260	3,595	100	35,955
Travel	50,649	5,907	2,509	59,065
Rent	176,548	19,826	1,890	198,264
Supplies	40,227	4,716	2,217	47,160
Training	36,364	4,438	3,575	44,377
Utilities	29,273	3,315	561	33,149
<b>TOTAL OTHER EXPENSES</b>	<u>802,957</u>	<u>91,573</u>	<u>21,208</u>	<u>915,738</u>
<b>TOTAL EXPENSES BEFORE DONATED SERVICES</b>	5,080,307	590,119	230,777	5,901,203
Donated services	367,504	-	-	367,504
<b>TOTAL EXPENSES</b>	<u>\$ 5,447,811</u>	<u>\$ 590,119</u>	<u>\$ 230,777</u>	<u>\$ 6,268,707</u>

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

LEGAL AID OF EAST TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<b>PERSONNEL EXPENSES</b>				
Lawyers	\$ 2,099,454	\$ 233,869	\$ 5,370	\$ 2,338,693
Paralegals	757,206	84,273	1,256	842,735
Support staff	530,324	65,105	55,620	651,049
Employee benefits	<u>803,071</u>	<u>92,772</u>	<u>31,876</u>	<u>927,719</u>
<b>TOTAL PERSONNEL EXPENSES</b>	<u>4,190,055</u>	<u>476,019</u>	<u>94,122</u>	<u>4,760,196</u>
<b>OTHER EXPENSES</b>				
Audit	29,936	3,395	619	33,950
Building maintenance	9,763	1,106	193	11,062
Communications	47,500	5,411	1,198	54,109
Contract services	200,194	22,660	3,746	226,600
Depreciation	24,088	2,724	-	26,812
Dues and fees	43,522	4,972	1,227	49,721
Equipment rental and maintenance	44,421	5,030	848	50,299
Insurance	23,474	2,660	470	26,604
Interest	4,093	782	2,942	7,817
Janitorial	13,079	1,482	260	14,821
Library	17,724	2,010	370	20,104
Litigation	3,680	409	-	4,089
Operating expenses - other	18,873	2,376	2,942	24,191
Travel	41,114	4,569	5	45,688
Rent	158,750	17,823	1,659	178,232
Supplies	44,700	5,076	981	50,757
Training	21,329	2,399	262	23,990
Utilities	<u>26,966</u>	<u>3,051</u>	<u>494</u>	<u>30,511</u>
<b>TOTAL OTHER EXPENSES</b>	<u>773,206</u>	<u>87,935</u>	<u>18,216</u>	<u>879,357</u>
<b>TOTAL EXPENSES BEFORE DONATED SERVICES</b>	4,963,261	563,954	112,338	5,639,553
Donated services	<u>540,496</u>	<u>-</u>	<u>-</u>	<u>540,496</u>
<b>TOTAL EXPENSES</b>	<u>\$ 5,503,757</u>	<u>\$ 563,954</u>	<u>\$ 112,338</u>	<u>\$ 6,180,049</u>

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

LEGAL AID OF EAST TENNESSEE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 34,453	\$ 398,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,164	26,812
Change in value of beneficial interest in agency endowment fund held by the East Tennessee Foundation	7,476	(6,327)
(Increase) decrease in:		
Federal, state and local grants receivable	44,994	(11,799)
Promises to give	(50,609)	45,399
Prepaid expenses	(17,697)	7,255
Operating lease, right-of-use asset	122,000	-
Increase (decrease) in:		
Accounts payable	6,316	(15,363)
Accrued salaries	(2,184)	9,001
Accrued leave	19,486	(13,620)
Accrued expenses and other	104,598	4,945
Deferred revenue - LSC grants	1,584	(70,725)
Operating lease liability	(114,920)	-
TOTAL ADJUSTMENTS	<u>146,208</u>	<u>(24,422)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>180,661</u>	<u>374,350</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(25,487)</u>	<u>(10,814)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(25,487)</u>	<u>(10,814)</u>
FINANCING ACTIVITIES		
Unspent Paycheck Protection Program loan funds returned	<u>-</u>	<u>(701,774)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>(701,774)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	155,174	(338,238)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>1,592,508</u>	<u>1,930,746</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 1,747,682</u>	<u>\$ 1,592,508</u>
Cash and cash equivalents	\$ 1,735,275	\$ 1,580,193
Restricted cash - client escrow funds	<u>12,407</u>	<u>12,315</u>
Cash, cash equivalents and restricted cash	<u>\$ 1,747,682</u>	<u>\$ 1,592,508</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ 7,817
Cash paid for operating leases	<u>\$ 129,952</u>	<u>\$ -</u>
NONCASH TRANSACTIONS:		
Right-of-use asset acquired with lease liability	<u>\$ 1,004,242</u>	<u>\$ -</u>

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

LEGAL AID OF EAST TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES

Legal Aid of East Tennessee (the “Organization”) is a not-for-profit organized to provide legal representations, counseling, and other civil legal services for the indigent of Tennessee through advocacy of all types and to provide educational programs advising the indigent of their legal rights, all within the statutes of the State of Tennessee and the Code of Professional Responsibility for Attorneys. The Organization is supported primarily through grants from Legal Services Corporation (“LSC”), various foundation grants, state and local governments, voluntary services, and local area United Way agencies. The Organization operates out of offices located in Knoxville, Chattanooga, Johnson City, Morristown, Maryville, Blountville and Cleveland, Tennessee.

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 changes in net assets of the Organization on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

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

- *Net assets without donor restrictions* - Net assets that are not subject to donor or grantor-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 management and the Board of Directors.
- *Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization has no net assets with perpetual donor restrictions.

Donor and certain grantor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

*Grants* - Revenues from government grant and contract agreements, which are generally considered non-exchange transactions with conditions, are recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenues on the Statements of Financial Position. Grants receivable are recorded when conditions have been satisfied but the payment has not yet been received. At December 31, 2022, there were deferred grant revenues related to LSC grants in the amount of \$247,315 (\$245,731 at December 31, 2021).

*Contributions* - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Contributions receivable, if any, are recorded at the estimated present value, net of an allowance for uncollectible amounts, if deemed necessary. At December 31, 2022 and 2021, all contributions receivable were due within one year.

As of December 31, 2022 and 2021, 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.

Contributions of Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the Statement of Activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the Organization beginning on January 1, 2022, and did not result in a significant change to the financial statements.

Contributed nonfinancial assets are recorded at fair value at the date of donation. Contributions of nonfinancial assets with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions of nonfinancial assets are recorded as net assets without donor restrictions.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets (continued)

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. Donated legal time represents a material contribution to the Organization's programs and is recognized in the financial statements based on average hourly rates for legal services in the respective areas. Other contributions of nonfinancial assets consist of donated office rental, which is utilized in the Organization's program and is valued at fair value if purchased.

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.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash consists of operating checking accounts with financial institutions, certificates of deposits that can be liquidated without significant penalty, and petty cash. The Organization holds restricted cash on behalf of its clients (escrow funds) which are reported on the Statements of Financial Position as restricted cash. These balances are offset by a corresponding liability.

Agency Endowment Fund

The Organization's beneficial interest in an agency endowment fund held by the East Tennessee Foundation (the "Foundation") is recognized as an asset. Investment income and changes in the value of the fund are recognized as changes in the value of the beneficial interest in the Statement of Activities, and distributions received from the fund are recorded as decreases in the beneficial interest.

Fair Value Measurements

The Organization classifies assets measured at fair value based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (valued using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active or are directly or indirectly observable) and Level 3 (valued based on significant unobservable inputs that reflect estimates and assumptions). 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

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

*Beneficial interest in agency endowment fund* - The agency endowment fund held at the Foundation represents the Organization's interest in pooled investments with other participants in the funds. The Foundation prepares a valuation of the fund based on the fair value of the underlying investments and allocates income or loss to each participant based on market results.

No changes in the valuation methodologies have been made since the prior year.

The method 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 method is 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 different fair value measurement at the reporting date.

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 of greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years, except for leasehold improvements, which are depreciated over the shorter of their estimated useful lives or the respective lease term.

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. At December 31, 2022 and 2021, net property and equipment purchased with LSC funds totaled \$89,846 and \$95,440, respectively.



LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use (“ROU”) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

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 legal representations, counseling, and other civil legal services for the indigent of Tennessee through advocacy of all types and to provide educational programs advising the indigent of their legal rights. 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.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that are consistently applied. Allocated expenses include rent, which is allocated on the percent of time space is used by various staff assigned to specific grants, as well as salaries, employee benefits, utilities and contract services, office expenses, travel, etc. which are allocated on the basis of estimates of time and effort.

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.

The Organization files U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there were no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with 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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2022 and April 25, 2023, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued Accounting Standards Codification (“ASC”) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of income. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization’s historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of \$1,004,242 at January 1, 2022. The adoption of the new lease standard did not materially impact changes in net assets or cash flows and did not result in a cumulative-effect adjustment to opening net assets.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY

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, as of December 31, are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,735,275	\$ 1,580,193
Federal, state and local grants receivable	259,162	304,156
Promises to give	<u>258,007</u>	<u>207,398</u>
Total financial assets	2,252,444	2,091,747
Less amounts not available to be used within one year		
Restricted by the donor with time or purpose restrictions (excluding restricted property and equipment)	<u>(573,836)</u>	<u>(445,729)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 1,678,608</u>	<u>\$ 1,646,018</u>

NOTE 5 - PROMISES TO GIVE

Promises to give at December 31 consists of the following:

	<u>2022</u>	<u>2021</u>
IOLTA	\$ 181,076	\$ 135,807
United Way	76,831	69,641
Campaign	<u>100</u>	<u>1,950</u>
	<u>\$ 258,007</u>	<u>\$ 207,398</u>

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 40,364	\$ 40,364
Buildings and improvements	226,141	226,141
Office furniture and computer equipment	159,629	143,441
Law library	6,475	6,475
Leasehold improvements	<u>88,575</u>	<u>79,275</u>
	521,184	495,696
Less accumulated depreciation	<u>(401,350)</u>	<u>(376,185)</u>
	<u>\$ 119,834</u>	<u>\$ 119,511</u>

NOTE 7 - AGENCY ENDOWMENT FUND

The Organization has established a board-designated quasi-endowment that is held by the Foundation, which is presented as a beneficial interest in agency endowment fund in the financial statements.

The Organization has granted variance power to the Foundation, and the Foundation has the ultimate authority and control over the fund and the income derived therefrom. The fund is charged a minimum of \$300 plus 1.25% administrative fee by the Foundation.

A schedule of changes in the Organization's beneficial interest in this quasi-endowment fund for the year ended December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Balance - beginning of year	\$ 54,468	\$ 48,141
Change in value of beneficial interest in agency endowment fund:		
Investment (loss) income - net	(6,880)	6,985
Administrative expenses	(596)	(658)
	<u>(7,476)</u>	<u>6,327</u>
	<u>\$ 46,992</u>	<u>\$ 54,468</u>

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 8 - FAIR VALUE MEASUREMENT

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

	<u>2022</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 46,992</u>	<u>\$ -</u>	<u>\$ 46,992</u>

  

	<u>2021</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Beneficial interest in agency endowment fund	<u>\$ -</u>	<u>\$ 54,468</u>	<u>\$ -</u>	<u>\$ 54,468</u>

NOTE 9 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, various grants receivable and revenue.

The Organization maintains cash balances and certificates of deposit at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. The Organization’s cash balance may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

The grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. The Organization received approximately 55% and 49% of its federal, state and local awards from Legal Services Corporation in 2022 and 2021, respectively. Revenue from one other source was approximately 11% of its federal, state and local awards as of December 31, 2022 (16% from one other source in 2021).

NOTE 10 - ACCRUED LEAVE

Employees accrue seven and a half hours (one day) of sick leave with each full month of employment and may accumulate an unlimited number of hours. Employees accrue between 90 and 190 hours of vacation leave, depending on length of service, with each full year of employment. A maximum accrued vacation leave of 300 hours may be carried over to the next calendar year. Any vacation leave accrued over 300 hours is converted to sick leave. Employees are entitled to be paid upon resignation or termination for any unused vacation leave which they have accumulated. Employees are not paid for accrued sick leave. Accrued leave was \$340,784 and \$321,298 at December 31, 2022 and 2021, respectively.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 11 - DEFERRED REVENUE AND LSC GRANT BALANCES

LSC recipients are required to obtain approval to carry over any remaining LSC fund balance each year in excess of 10% of LSC support (Basic Field Grant only). Prior to the issuance of LSC *Program Letter 20-4*, the LSC Accounting Guide for LSC Recipients instructed recipients to account for the LSC Basic Field Grant as a contribution, with any unspent funds carried as donor restricted net assets (fund balance). *Program Letter 20-4* better aligns LSC revenue recognition for the Basic Field Grant with current guidance. This LSC guidance states that the Basic Field Grant is a non-reciprocal transaction (contribution) with conditions that must be met in order to recognize the revenue, and therefore any unspent monies received would be treated as deferred revenue at year end. At December 31, 2022 and 2021, the following amounts were remaining on the various LSC awards received at December 31, 2022 and 2021:

	<u>Original Amount Awarded</u>	<u>Deferred Revenue 12/31/2021</u>	<u>Amount Expended</u>	<u>Deferred Revenue 12/31/2022</u>
LSC Basic Field Grant (2021)	\$ 2,856,135	(245,731)	\$ 245,731	\$ -
LSC Basic Field Grant (2022)	<u>3,157,543</u>	<u>-</u>	<u>2,910,228</u>	<u>(247,315)</u>
	<u>\$ 6,013,678</u>	<u>\$ (245,731)</u>	<u>\$ 3,155,959</u>	<u>\$ (247,315)</u>

NOTE 12 - PAYCHECK PROTECTION PROGRAM

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act provides an economic relief package to many businesses in the U.S. as a direct response to the adverse impacts of COVID-19. Section 1102 of the CARES Act establishes the Paycheck Protection Program (PPP), which is implemented by the Small Business Administration, and is intended to provide small businesses and certain nonprofit organizations with funds to pay payroll costs and benefits, interest on mortgages, rent and utilities.

The Organization was granted a \$853,600 loan under the PPP, administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions in the amount of \$151,826 as grant revenue for the year ended December 31, 2020, with the remaining \$701,774 recorded as deferred revenue. During 2021, the Organization applied for forgiveness and returned the unspent funding of \$701,774.

LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Contributions receivable - time restriction:		
IOLTA	\$ 181,076	\$ 135,807
United Way	1,125	2,470
Purpose restrictions:		
United Way	16,695	12,058
United Way Knoxville Health Law Partnership	100,000	-
Tennessee Legal Initiatives Fund	165,986	108,709
Pat Summit	20,000	-
Knoxville Bar	3,949	-
Eviction Prevention Program (Chattanooga)	-	89,906
City of Knoxville Community Agency Grant	-	3,644
Pro Se Clinic AOC	-	53
AOC - Access to Justice	11,076	25,911
Department of Childrens Services	1,097	-
Net investment in LSC property and equipment	89,846	95,440
Contributions receivable - time and purpose restriction:		
United Way	<u>72,832</u>	<u>67,171</u>
	<u>\$ 663,682</u>	<u>\$ 541,169</u>

NOTE 14 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include certain amounts designated by the Board of Directors for specific purposes. At December 31, net assets without donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Net investment in unrestricted property and equipment	\$ 29,988	\$ 24,071
Beneficial interest in agency endowment (quasi-endowment)	46,992	54,468
Undesignated	<u>837,717</u>	<u>924,218</u>
	<u>\$ 914,697</u>	<u>\$ 1,002,757</u>



LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 15 - LEASES

The Organization leases its office space under various cancelable and non-cancelable operating leases with monthly rental payments ranging from approximately \$800 to \$8,800 through 2029.

In August 2016, the Organization entered into a lease agreement with a local nonprofit foundation, for the use of an office building (Knoxville office). The consideration to be paid for the lease is \$1 per year and the initial term of the lease is 5 years. The original lease term expired on December 31, 2021. The original agreement contained a provision to extend the lease, which the Organization has notified the lessor of their intent to do so. Since the Organization has not received an explicit promise to provide space for an additional period of time, the Organization will recognize future use of space as donated rent during the period the occupancy occurs.

The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 137,032
Short-term lease cost	10,693
In-kind lease expense	<u>50,593</u>
Total lease cost	<u>\$ 198,318</u>

Additional information related to leases is as follows as of December 31, 2022:

Operating leases:

Operating lease right-of-use assets	<u>\$ 882,242</u>
Operating lease liabilities, non-current	<u>\$ 889,322</u>

Weighted-average remaining lease term:

Operating leases	7.47 years
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Weighted-average discount rate:

Operating leases	1.60%
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LEGAL AID OF EAST TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022 AND 2021

NOTE 15 - LEASES (CONTINUED)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

Years ending December 31:

2023	\$ 149,334
2024	211,726
2025	128,490
2026	123,424
2027	111,212
Thereafter	<u>209,530</u>
Total lease payments	933,716
Less imputed interest	<u>(44,394)</u>
Total present value of lease liabilities	<u>\$ 889,322</u>

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2021:

Years ending December 31:

2022	\$ 174,023
2023	169,967
2024	157,850
2025	159,905
2026	130,857
Thereafter	<u>438,968</u>
Total minimum lease payments	<u>\$ 1,231,570</u>

NOTE 16 - RETIREMENT PLAN

The Organization adopted a 403(b) retirement plan effective January 1, 2009. Contributions to the plan are made at the discretion of the Board of Directors. Employer contributions were 3% of employee's salary. Contributions to the plan were \$105,562 and \$81,381 respectively for the years ended December 31, 2022 and 2021.

NOTE 17 - COMMITMENTS

The Organization has entered into a 36-month contract with a company to provide information technology services and support including software licensing at a cost \$8,978 per month. This contract will expire April 30, 2025.

ADDITIONAL INFORMATION

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Award Period</u>	<u>Award Amount</u>	<u>Accrued (Deferred) Revenue 12/31/2021</u>	<u>Receipts</u>	<u>Program Income</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 12/31/2022</u>	
<u>LEGAL SERVICES CORPORATION</u>										
DIRECT										
Basic Field Grant - 2021	09.643020	(1)	N/A	01/01/21-12/31/21	\$ 2,856,135	\$ (245,731)	\$ -	\$ -	\$ 245,731	\$ -
Basic Field Grant - 2022	09.643020	(1)	N/A	01/01/22-12/31/22	\$ 3,157,543	-	3,157,543	418	2,910,646	(247,315)
<u>TOTAL LEGAL SERVICES CORPORATION</u>						(245,731)	3,157,543	418	3,156,377	(247,315)
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>										
PASSED THROUGH WEST TENNESSEE LEGAL SERVICES										
Fair Housing Initiatives Program	14.408		FPEI8000304	03/01/21-02/28/22	\$ 38,828	5,110	5,110	-	-	-
Fair Housing Initiatives Program	14.408		FPEI8000304	03/01/22-02/28/23	\$ 38,828	-	22,628	-	38,895	16,267
Private Enforcement Initiative Program	14.418		FPE2122051	07/01/22-12/31/23	\$ 50,000	-	4,968	-	10,871	5,903
Eviction Prevention Project	14.537		EP-22-TN-003	07/01/22-06/30/24	\$ 550,891	-	3,044	-	47,159	44,115
<u>TOTAL PASSED THROUGH WEST TENNESSEE LEGAL SERVICES</u>						5,110	35,750	-	96,925	66,285
<u>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						5,110	35,750	-	96,925	66,285
<u>U.S. DEPARTMENT OF JUSTICE</u>										
PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION										
Victims of Crime Act (VOCA)	16.575		26769	07/01/21-06/30/22	\$ 489,500	88,388	251,003	-	162,615	-
Victims of Crime Act (VOCA)	16.575		26769	07/01/22-06/30/23	\$ 489,500	-	246,298	-	316,529	70,231
<u>TOTAL PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION</u>						88,388	497,301	-	479,144	70,231
PASSED THROUGH PARTNERSHIP FOR FAMILIES, CHILDREN AND ADULTS										
Justice for Families	16.021		N/A	10/01/20-09/30/23	\$ 10,000	-	-	-	1,690	1,690
<u>TOTAL PASSED THROUGH PARTNERSHIP FOR FAMILIES, CHILDREN AND ADULTS</u>						-	-	-	1,690	1,690
<u>TOTAL U.S. DEPARTMENT OF JUSTICE</u>						88,388	497,301	-	480,834	71,921
<u>U.S. DEPARTMENT OF THE TREASURY</u>										
PASSED THROUGH KNOX COUNTY, TENNESSEE										
Rental Assistance Program	21.023		N/A	08/01/2021-12/31/22	\$ 200,000	29,486	208,786	-	213,692	34,392
<u>TOTAL US DEPARTMENT OF THE TREASURY</u>						29,486	208,786	-	213,692	34,392
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>										
PASSED THROUGH FIRST TN DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY										
HHS - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044		N/A	07/01/21-06/30/22	\$ 30,000	4,242	18,570	-	14,328	-

(continued on next page)

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Program Name</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Award Period</u>	<u>Award Amount</u>	<u>Accrued (Deferred) Revenue 12/31/2021</u>	<u>Receipts</u>	<u>Program Income</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 12/31/2022</u>
<u>PASSED THROUGH FIRST TN DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY (CONTINUED)</u>									
HHS - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	N/A	07/01/22-06/30/23	\$ 30,000	\$ -	\$ 20,455	\$ -	\$ 25,444	\$ 4,989
<u>TOTAL PASSED THROUGH FIRST TN DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY</u>					<u>4,242</u>	<u>39,025</u>	<u>-</u>	<u>39,772</u>	<u>4,989</u>
<u>PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY</u>									
HHS - Special programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	02793	07/01/21-06/30/22	\$ 44,800	4,168	25,002	-	20,834	-
HHS - Special programs for the Aging Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	02793	07/01/22-06/30/23	\$ 50,000	-	24,976	-	29,144	4,168
<u>TOTAL PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY</u>					<u>4,168</u>	<u>49,978</u>	<u>-</u>	<u>49,978</u>	<u>4,168</u>
<u>PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES</u>									
Cycles of Success	93.558	GR 34530-71920	01/15/20-12/31/21	\$ 344,941	41,567	41,567	-	-	-
<u>TOTAL PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES</u>					<u>41,567</u>	<u>41,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					<u>49,977</u>	<u>130,570</u>	<u>-</u>	<u>89,750</u>	<u>9,157</u>
<u>SOCIAL SECURITY ADMINISTRATION</u>									
<u>PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES</u>									
Supplemental Security Income	96.006	GR 34530-40618	07/01/21-06/30/22	\$ -	1,960	9,112	-	7,152	-
Supplemental Security Income	96.006	GR 34530-40618	07/01/22-06/30/23	\$ -	-	9,041	-	12,929	3,888
<u>TOTAL PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES</u>					<u>1,960</u>	<u>18,153</u>	<u>-</u>	<u>20,081</u>	<u>3,888</u>
<u>TOTAL SOCIAL SECURITY ADMINISTRATION</u>					<u>1,960</u>	<u>18,153</u>	<u>-</u>	<u>20,081</u>	<u>3,888</u>
<u>TOTAL OF EXPENDITURES OF FEDERAL AWARDS</u>					<u>\$ (70,810)</u>	<u>\$ 4,048,103</u>	<u>\$ 418</u>	<u>\$ 4,057,659</u>	<u>\$ (61,672)</u>

(1) Considered a major program under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Summary of expenditures by ALN:

09.643020	\$ 3,156,377
14.408	38,895
14.418	10,871
14.537	47,159
16.021	1,690
16.575	479,144
21.023	213,692
96.006	20,081
93.044	89,750

Total \$ 4,057,659

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS ON PAGE 26.

LEGAL AID OF EAST TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Legal Aid of East Tennessee (the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the *LSC Audit Guide*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The Organization has not passed any federal awards through to subrecipients for the year ended December 31, 2022.

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS FOR LSC FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Basic Field Grant</u>	<u>Private Attorney Involvement</u>	<u>Total</u>	<u>LSC Property</u>	<u>Grand Total</u>	<u>2021 Total</u>
<b>SUPPORT AND REVENUE</b>						
Grants and contracts - LSC *	\$ 2,723,640	\$ 432,319	\$ 3,155,959	\$ -	\$ 3,155,959	\$ 2,926,860
Interest income	268	136	404	-	404	177
Attorney fees	-	-	-	-	-	1,725
Contributions	4	1	5	-	5	-
Donated services	-	367,504	367,504	-	367,504	540,496
Total support and revenue	<u>2,723,912</u>	<u>799,960</u>	<u>3,523,872</u>	<u>-</u>	<u>3,523,872</u>	<u>3,469,258</u>
<b>PERSONNEL EXPENSES</b>						
Attorneys	1,158,709	183,522	1,342,231	-	1,342,231	1,208,743
Paralegals	436,102	35,070	471,172	-	471,172	467,583
Support staff	335,480	69,773	405,253	-	405,253	441,862
Employee benefits	<u>611,046</u>	<u>75,190</u>	<u>686,236</u>	<u>-</u>	<u>686,236</u>	<u>491,877</u>
Total personnel expenses	<u>2,541,337</u>	<u>363,555</u>	<u>2,904,892</u>	<u>-</u>	<u>2,904,892</u>	<u>2,610,065</u>
<b>OTHER EXPENSES</b>						
Donated services	-	367,504	367,504	-	367,504	540,496
Audit	7,537	2,133	9,670	-	9,670	16,770
Building maintenance	955	337	1,292	-	1,292	5,453
Communications	11,956	3,268	15,224	-	15,224	27,662
Contract services	54,971	17,806	72,777	-	72,777	101,988
Depreciation	-	-	-	14,894	14,894	19,355
Dues and fees	-	260	260	-	260	722
Equipment rental and maintenance	7,895	2,053	9,948	-	9,948	24,246
Insurance	5,382	1,641	7,023	-	7,023	14,067
Janitorial	4,044	987	5,031	-	5,031	7,537
Library	3,954	1,494	5,448	-	5,448	10,457
Litigation	360	-	360	-	360	790
Operating expenses - other	1,308	10,799	12,107	-	12,107	2,955
Travel	19,726	10,756	30,482	-	30,482	18,956
Rent	33,016	7,563	40,579	-	40,579	47,234
Supplies	11,804	3,578	15,382	-	15,382	23,787
Training	1,649	4,103	5,752	-	5,752	552
Utilities	8,718	2,123	10,841	-	10,841	14,096
Total other expenses	<u>173,275</u>	<u>436,405</u>	<u>609,680</u>	<u>14,894</u>	<u>624,574</u>	<u>877,123</u>
<b>TOTAL EXPENSES</b>	<u>2,714,612</u>	<u>799,960</u>	<u>3,514,572</u>	<u>14,894</u>	<u>3,529,466</u>	<u>3,487,188</u>
<b>SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>						
	9,300	-	9,300	(14,894)	(5,594)	(17,930)
<b>OTHER CHANGES IN NET ASSETS</b>						
Acquisition of equipment	<u>(9,300)</u>	<u>-</u>	<u>(9,300)</u>	<u>9,300</u>	<u>-</u>	<u>(3)</u>
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,594)</u>	<u>(5,594)</u>	<u>(17,933)</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,440</u>	<u>95,440</u>	<u>113,373</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,846</u>	<u>\$ 89,846</u>	<u>\$ 95,440</u>

\* Amounts shown reflect only revenue recorded for each award. Unspent amounts have been deferred in accordance with *Program Letter 20-4*. See Note 11 in the financial statements.

LEGAL AID OF EAST TENNESSEE  
SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS BY FUNDING SOURCE  
FOR THE YEAR ENDED DECEMBER 31, 2022

	LEGAL SERVICES CORPORATION		ADMINISTRATIVE OFFICE OF THE COURTS					Title III Elderly
	Basic Field Grant	Private Attorney Involvement	Equal Access AOC	Pro Se Clinic AOC	AOC - PEMF	AOC - ATJ	AOC - GAL	
<b>SUPPORT AND REVENUE</b>								
Grant awards	\$ 2,723,640	\$ 432,319	\$ 677,450	\$ 20,382	\$ 18,950	\$ 29,457	\$ 28,715	\$ 133,795
Attorney fees	-	-	2,100	-	-	-	-	-
Contributions	4	1	-	-	-	-	-	-
Change in value of beneficial interest	-	-	-	-	-	-	-	-
Interest income	268	136	28	-	-	-	-	-
Donated services	-	367,504	-	-	-	-	-	-
Total support and revenue	<u>2,723,912</u>	<u>799,960</u>	<u>679,578</u>	<u>20,382</u>	<u>18,950</u>	<u>29,457</u>	<u>28,715</u>	<u>133,795</u>
<b>PERSONNEL EXPENSES</b>								
Attorneys	850,015	370,658	124,919	8,320	8,831	15,220	46,262	107,243
Paralegals	334,169	96,864	43,169	9,087	6,537	13,426	765	7,588
Support staff	267,455	111,011	23,137	-	-	1,713	-	1,541
Employee benefits	478,269	155,680	44,081	4,833	3,748	6,717	9,923	26,984
Total personnel expenses	<u>1,929,908</u>	<u>734,213</u>	<u>235,306</u>	<u>22,240</u>	<u>19,116</u>	<u>37,076</u>	<u>56,950</u>	<u>143,356</u>
<b>OTHER EXPENSES</b>								
Audit	7,537	2,133	12,261	-	-	871	289	1,054
Building maintenance	955	337	2,823	-	-	127	34	159
Communications	11,956	3,268	21,189	-	-	485	344	1,374
Contract services	54,971	17,806	86,259	-	-	1,794	1,447	4,504
Depreciation	-	-	-	-	-	-	-	-
Donated services	-	367,504	-	-	-	-	-	-
Dues and fees	-	260	25,027	-	-	555	294	916
Equipment rental and maintenance	7,895	2,053	15,888	-	-	395	222	903
Insurance	5,382	1,641	14,918	-	-	190	177	586
Janitorial	4,044	987	4,992	-	-	178	122	451
Library	3,954	1,494	4,578	-	-	85	86	245
Litigation	360	-	2,732	-	-	-	-	60
Operating expenses - other	1,308	10,799	2,533	-	-	55	37	103
Travel	19,726	10,756	5,668	80	-	505	5,213	3,410
Rent	33,016	7,563	39,204	-	-	1,352	899	2,241
Supplies	11,804	3,578	11,224	-	-	310	297	1,188
Training	1,649	4,103	31,739	-	-	-	-	285
Utilities	8,718	2,123	9,420	-	-	314	243	951
Total other expenses	<u>173,275</u>	<u>436,405</u>	<u>290,455</u>	<u>80</u>	<u>-</u>	<u>7,216</u>	<u>9,704</u>	<u>18,430</u>
TOTAL EXPENSES	<u>2,103,183</u>	<u>1,170,618</u>	<u>525,761</u>	<u>22,320</u>	<u>19,116</u>	<u>44,292</u>	<u>66,654</u>	<u>161,786</u>
<b>SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>								
	620,729	(370,658)	153,817	(1,938)	(166)	(14,835)	(37,939)	(27,991)
<b>OTHER CHANGES IN NET ASSETS</b>								
Acquisition of equipment	(9,300)	-	-	-	-	-	-	-
Transfers	(611,429)	370,658	(153,817)	1,885	166	-	37,939	27,991
TOTAL CHANGES IN NET ASSETS	-	-	-	(53)	-	(14,835)	-	-
NET ASSETS - BEGINNING OF YEAR	-	-	-	53	-	25,911	-	-
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,076</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1:

Expense categorization is based on initial client allocations and transfers indicate moving allowable charges between eligible funding sources. For purposes of LSC special report on page 27, transfers are categorized by their natural classification.



LEGAL AID OF EAST TENNESSEE  
SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS BY FUNDING SOURCE (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>IOLTA</u>		<u>McNabb</u>			<u>Tennessee</u>		<u>Justice</u>
	<u>Staff</u>	<u>United Ways</u>	<u>Health Law</u>	<u>DHS SSI</u>	<u>VOCA</u>	<u>Opportunity</u>	<u>IRS</u>	<u>for Families</u>
			<u>Partnership</u>			<u>Act</u>	<u>Counseling</u>	
<b>SUPPORT AND REVENUE</b>								
Grant awards	\$ 181,076	\$ 333,634	\$ 100,000	\$ 20,081	\$ 479,144	\$ 3,406	\$ 9,150	\$ 1,690
Attorney fees	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Change in value of beneficial interest	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Donated services	-	-	-	-	-	-	-	-
Total support and revenue	<u>181,076</u>	<u>333,634</u>	<u>100,000</u>	<u>20,081</u>	<u>479,144</u>	<u>3,406</u>	<u>9,150</u>	<u>1,690</u>
<b>PERSONNEL EXPENSES</b>								
Attorneys	90,753	172,362	-	409	220,344	2,229	5,453	667
Paralegals	-	33,455	-	7,308	182,592	177	-	126
Support staff	3,303	69,027	-	-	25,029	99	-	-
Employee benefits	16,132	50,899	-	1,490	114,028	793	1,408	135
Total personnel expenses	<u>110,188</u>	<u>325,743</u>	<u>-</u>	<u>9,207</u>	<u>541,993</u>	<u>3,298</u>	<u>6,861</u>	<u>928</u>
<b>OTHER EXPENSES</b>								
Audit	572	2,488	-	-	3,131	4	91	-
Building maintenance	92	385	-	-	176	1	7	-
Communications	773	3,561	-	-	3,021	27	84	-
Contract services	3,603	14,274	-	-	10,390	110	348	-
Depreciation	-	-	-	-	-	-	-	-
Donated services	-	-	-	-	-	-	-	-
Dues and fees	601	2,383	-	-	2,605	5	72	-
Equipment rental and maintenance	582	2,249	-	-	2,083	7	57	-
Insurance	465	1,595	-	-	977	11	28	-
Janitorial	251	5,325	-	-	1,189	11	33	-
Library	209	797	-	-	595	4	16	-
Litigation	147	1,166	-	55	-	-	-	-
Operating expenses - other	97	363	-	-	263	2	8	-
Travel	1,220	3,311	-	-	4,697	-	-	13
Rent	2,072	33,918	-	-	9,643	69	265	-
Supplies	701	6,942	-	-	2,861	33	79	-
Training	-	-	-	-	31	-	-	-
Utilities	574	3,327	-	-	2,381	21	65	-
Total other expenses	<u>11,959</u>	<u>82,084</u>	<u>-</u>	<u>55</u>	<u>44,043</u>	<u>305</u>	<u>1,153</u>	<u>13</u>
<b>TOTAL EXPENSES</b>	<u>122,147</u>	<u>407,827</u>	<u>-</u>	<u>9,262</u>	<u>586,036</u>	<u>3,603</u>	<u>8,014</u>	<u>941</u>
<b>SUPPORT AND REVENUE</b>								
OVER (UNDER) EXPENSES	58,929	(74,193)	100,000	10,819	(106,892)	(197)	1,136	749
<b>OTHER CHANGES IN NET ASSETS</b>								
Acquisition of equipment	-	-	-	-	-	-	-	-
Transfers	(13,660)	83,146	-	(10,819)	106,892	197	(1,136)	(749)
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>45,269</u>	<u>8,953</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>135,807</u>	<u>81,699</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 181,076</u>	<u>\$ 90,652</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1:

Expense categorization is based on initial client allocations and transfers indicate moving allowable charges between eligible funding sources. For purposes of LSC special report on page 27, transfers are categorized by their natural classification.

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS BY FUNDING SOURCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Fair Housing Initiative Program	Knox County Eviction Prevention	Cycles of Success	Other Grants	Dept of Childrens Services	Tennessee Legal Initiative Fund	West TN PEI Program	West TN Eviction Prevention
<b>SUPPORT AND REVENUE</b>								
Grant awards	\$ 38,895	\$ 213,692	\$ -	\$ 153,175	\$ 2,459	\$ 80,000	\$ 10,871	\$ 47,159
Attorney fees	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Change in value of beneficial interest	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-
Donated services	-	-	-	-	-	-	-	-
Total support and revenue	<u>38,895</u>	<u>213,692</u>	<u>-</u>	<u>153,175</u>	<u>2,459</u>	<u>80,000</u>	<u>10,871</u>	<u>47,159</u>
<b>PERSONNEL EXPENSES</b>								
Attorneys	32,211	121,185	-	171,736	-	13,173	7,720	31,971
Paralegals	1,064	33,216	-	17,763	-	3,834	763	905
Support staff	1,255	3,592	-	25,629	-	828	365	2,734
Employee benefits	<u>5,518</u>	<u>49,460</u>	<u>-</u>	<u>53,695</u>	<u>-</u>	<u>2,487</u>	<u>1,226</u>	<u>5,948</u>
Total personnel expenses	<u>40,048</u>	<u>207,453</u>	<u>-</u>	<u>268,823</u>	<u>-</u>	<u>20,322</u>	<u>10,074</u>	<u>41,558</u>
<b>OTHER EXPENSES</b>								
Audit	171	1,934	-	1,960	-	80	7	-
Building maintenance	40	305	-	331	-	22	10	60
Communications	318	2,794	-	2,847	-	202	89	613
Contract services	1,407	11,809	-	12,213	-	838	397	2,390
Depreciation	-	-	-	-	-	-	-	-
Donated services	-	-	-	-	-	-	-	-
Dues and fees	203	2,611	-	2,017	-	112	38	444
Equipment rental and maintenance	215	1,876	-	1,889	-	138	55	473
Insurance	192	1,387	-	1,506	-	149	65	741
Janitorial	90	765	-	938	-	43	20	78
Library	93	627	-	866	-	64	28	216
Litigation	-	191	-	-	-	-	-	-
Operating expenses - other	38	291	-	312	-	28	12	112
Travel	58	422	56	672	-	6	-	700
Rent	644	5,859	-	6,749	-	443	158	1,208
Supplies	240	2,363	-	2,460	-	152	71	466
Training	-	92	-	2,902	-	-	-	-
Utilities	<u>202</u>	<u>1,683</u>	<u>-</u>	<u>1,928</u>	<u>-</u>	<u>124</u>	<u>53</u>	<u>348</u>
Total other expenses	<u>3,911</u>	<u>35,009</u>	<u>56</u>	<u>39,590</u>	<u>-</u>	<u>2,401</u>	<u>1,003</u>	<u>7,849</u>
<b>TOTAL EXPENSES</b>	<u>43,959</u>	<u>242,462</u>	<u>56</u>	<u>308,413</u>	<u>-</u>	<u>22,723</u>	<u>11,077</u>	<u>49,407</u>
<b>SUPPORT AND REVENUE</b>								
<b>OVER (UNDER) EXPENSES</b>	(5,064)	(28,770)	(56)	(155,238)	2,459	57,277	(206)	(2,248)
<b>OTHER CHANGES IN NET ASSETS</b>								
Acquisition of equipment	-	-	-	-	-	-	-	-
Transfers	<u>5,064</u>	<u>28,770</u>	<u>56</u>	<u>85,637</u>	<u>(1,362)</u>	<u>-</u>	<u>206</u>	<u>2,248</u>
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,601)</u>	<u>1,097</u>	<u>57,277</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,550</u>	<u>-</u>	<u>108,709</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,949</u>	<u>\$ 1,097</u>	<u>\$ 165,986</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 1:

Expense categorization is based on initial client allocations and transfers indicate moving allowable charges between eligible funding sources.

For purposes of LSC special report on page 27, transfers are categorized by their natural classification.

LEGAL AID OF EAST TENNESSEE  
SCHEDULE OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS BY FUNDING SOURCE (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Elder Trust	Community Development Block - Cares Act	Donated Rent	LSC Restricted Property and Equipment	Unrestricted Property and Equipment	Unrestricted	Total
<b>SUPPORT AND REVENUE</b>							
Grant awards	\$ 9,881	\$ -	\$ -	\$ -	\$ -	\$ 1,685	\$ 5,750,706
Attorney fees	-	-	-	-	-	-	2,100
Contributions	-	-	50,593	-	-	136,774	187,372
Change in value of beneficial interest	-	-	-	-	-	(7,476)	(7,476)
Interest income	-	-	-	-	-	2,522	2,954
Donated services	-	-	-	-	-	-	367,504
Total support and revenue	<u>9,881</u>	<u>-</u>	<u>50,593</u>	<u>-</u>	<u>-</u>	<u>133,505</u>	<u>6,303,160</u>
<b>PERSONNEL EXPENSES</b>							
Attorneys	4,997	10	-	-	-	64,975	2,471,663
Paralegals	2,175	-	-	-	-	23,956	818,939
Support staff	745	-	-	-	-	78,398	615,861
Employee benefits	3,303	2	-	-	-	42,243	1,079,002
Total personnel expenses	<u>11,220</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,572</u>	<u>4,985,465</u>
<b>OTHER EXPENSES</b>							
Audit	-	-	-	-	-	402	34,985
Building maintenance	6	-	-	-	-	108	5,978
Communications	127	-	-	-	-	873	53,945
Contract services	588	-	-	-	-	4,662	229,810
Depreciation	-	-	-	14,894	10,270	-	25,164
Donated services	-	-	-	-	-	-	367,504
Dues and fees	6	-	-	-	-	2,634	40,783
Equipment rental and maintenance	94	-	-	-	-	545	37,619
Insurance	60	-	-	-	-	543	30,613
Janitorial	71	-	-	-	-	256	19,844
Library	26	-	-	-	-	333	14,316
Litigation	-	-	-	-	-	-	4,711
Operating expenses - other	11	-	-	-	-	19,583	35,955
Travel	43	-	-	-	-	2,509	59,065
Rent	477	-	50,593	-	-	1,891	198,264
Supplies	174	-	-	-	-	2,217	47,160
Training	-	-	-	-	-	3,576	44,377
Utilities	113	-	-	-	-	561	33,149
Total other expenses	<u>1,796</u>	<u>-</u>	<u>50,593</u>	<u>14,894</u>	<u>10,270</u>	<u>40,693</u>	<u>1,283,242</u>
<b>TOTAL EXPENSES</b>	<u>13,016</u>	<u>12</u>	<u>50,593</u>	<u>14,894</u>	<u>10,270</u>	<u>250,265</u>	<u>6,268,707</u>
<b>SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>							
	(3,135)	(12)	-	(14,894)	(10,270)	(116,760)	34,453
<b>OTHER CHANGES IN NET ASSETS</b>							
Acquisition of equipment	-	-	-	9,300	16,187	(16,187)	-
Transfers	3,135	12	-	-	-	38,970	-
<b>TOTAL CHANGES IN NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,594)</u>	<u>5,917</u>	<u>(93,977)</u>	<u>34,453</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,440</u>	<u>24,071</u>	<u>978,686</u>	<u>1,543,926</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,846</u>	<u>\$ 29,988</u>	<u>\$ 884,709</u>	<u>1,578,379</u>

NOTE 1:

Expense categorization is based on initial client allocations and transfers indicate moving allowable charges between eligible funding sources. For purposes of LSC special report on page 27, transfers are categorized by their natural classification.

OTHER REPORTS

INDEPENDENT AUDITOR’S REPORT  
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

Board of Directors  
Legal Aid of East Tennessee  
Chattanooga, Tennessee

We have audited, 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, the financial statements of Legal Aid of East Tennessee (the “Organization”), which comprise the statement of financial position as of December 31, 2022, 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 April 25, 2023.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Legal Aid of East Tennessee’s internal control over financial reporting (internal control) as a basis for designing 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 the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s 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 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 or significant deficiencies may exist that were not identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Legal Aid of East Tennessee's 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 financial statements. 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kraft+CPAs PLLC*

Nashville, Tennessee  
April 25, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Legal Aid of East Tennessee  
Chattanooga, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Legal Aid of East Tennessee's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Legal Services Corporation (LSC) Audit Guide* (the "Guide") that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Legal Aid of East Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S Code of Federal Regulation* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance) and the *LSC Audit Guide*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

## RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit or Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the LSC *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

*Kraft CPAs PLLC*

Nashville, Tennessee  
April 25, 2023

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2022

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes        X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes        X   none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ yes        X   no

Identification of major federal programs:

<b><u>Assistance Listing Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
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09.643020	Legal Services Corporation - Basic Field Grant
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Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

LEGAL AID OF EAST TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

**PRIOR YEAR**

There were no prior year findings.

**CURRENT YEAR**

There are no current year findings.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**PRIOR YEAR**

There were no prior year findings.

**CURRENT YEAR**

There are no current year findings.