

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

LSC GRANT RECIPIENT: 643040

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2024 AND 2023

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR’S REPORTS

DECEMBER 31, 2024 AND 2023

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Legal Aid of Middle Tennessee and the Cumberlandds

Board of Directors

December 31, 2024

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James L. Weatherly, Jr. – Member at Large

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INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Legal Aid Society of Middle Tennessee and the Cumberland (the "Organization"), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Legal Aid Society of Middle Tennessee and the Cumberland as of December 31, 2024 and 2023, 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.

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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 AUDITS 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 SUPPLEMENTARY 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 27-29 and schedule of support, revenue, expenses and changes in net assets for LSC funds on page 30, 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. 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 27-30 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.

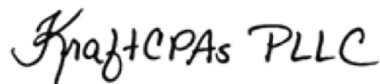
OTHER INFORMATION

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 29, 2025 on our consideration of Legal Aid Society of Middle Tennessee and the Cumberland’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 Society of Middle Tennessee and the Cumberland’s internal control over financial reporting and compliance.



Nashville, Tennessee
April 29, 2025

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash	\$ 2,017,425	\$ 2,035,676
Investments	5,510,853	4,781,383
Federal, state and local grants receivable	1,277,402	903,820
Contributions receivable	1,297,945	430,268
Prepaid expenses and deposits	94,454	58,037
Property and equipment, net	153,162	184,954
Operating leases, right-of-use assets	2,224,688	2,704,584
Restricted cash - client escrow funds	2,744	1,063
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>45,997</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 12,624,670</u>	<u>\$ 11,099,785</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 90,194	\$ 140,820
Accrued expenses and other	1,165,725	753,274
Deferred revenue	231,866	173,143
Operating lease liabilities	2,367,932	2,842,868
Client escrow deposits	<u>2,744</u>	<u>1,063</u>
TOTAL LIABILITIES	<u>3,858,461</u>	<u>3,911,168</u>
<u>NET ASSETS</u>		
Net assets without donor restrictions	5,803,914	5,204,401
Net assets with donor restrictions	<u>2,962,295</u>	<u>1,984,216</u>
TOTAL NET ASSETS	<u>8,766,209</u>	<u>7,188,617</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,624,670</u>	<u>\$ 11,099,785</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2024

	WITHOUT DONOR RESTRICTIONS	<u>WITH DONOR RESTRICTIONS</u>			<u>TOTAL</u>
		<u>LSC</u>	<u>NON-LSC</u>	<u>TOTAL</u>	<u>TOTAL</u>
REVENUES AND SUPPORT					
Federal, state and local awards	\$ -	\$ 4,414,945	\$ 7,416,177	\$ 11,831,122	\$ 11,831,122
Contributions and foundation grants	905,115	-	1,986,347	1,986,347	2,891,462
Investment income, net	527,519	22,068	-	22,068	549,587
Attorney fees	-	-	7,248	7,248	7,248
Donated legal services	-	1,210,688	-	1,210,688	1,210,688
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	4,527	-	-	-	4,527
Net assets released from restrictions	14,079,394	(5,647,701)	(8,431,693)	(14,079,394)	-
TOTAL REVENUES AND SUPPORT	<u>15,516,555</u>	<u>-</u>	<u>978,079</u>	<u>978,079</u>	<u>16,494,634</u>
OPERATING EXPENSES					
Program services	12,486,567	-	-	-	12,486,567
Supporting services:					
Management and general	2,194,587	-	-	-	2,194,587
Fundraising	235,888	-	-	-	235,888
TOTAL OPERATING EXPENSES	<u>14,917,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,917,042</u>
CHANGE IN NET ASSETS	599,513	-	978,079	978,079	1,577,592
NET ASSETS - BEGINNING OF YEAR	<u>5,204,401</u>	<u>-</u>	<u>1,984,216</u>	<u>1,984,216</u>	<u>7,188,617</u>
NET ASSETS - END OF YEAR	<u>\$ 5,803,914</u>	<u>\$ -</u>	<u>\$ 2,962,295</u>	<u>\$ 2,962,295</u>	<u>\$ 8,766,209</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS			TOTAL
		LSC	NON-LSC	TOTAL	
REVENUES AND SUPPORT					
Federal, state and local awards	\$ -	\$ 4,497,299	\$ 5,429,936	\$ 9,927,235	\$ 9,927,235
Contributions and foundation grants	1,028,420	-	640,801	640,801	1,669,221
Investment income, net	394,588	8,776	-	8,776	403,364
Attorney fees	-	-	2,500	2,500	2,500
Donated legal services	-	648,062	-	648,062	648,062
Other contributed nonfinancial assets	5,100	-	-	-	5,100
Net assets released from restrictions	<u>11,315,895</u>	<u>(5,154,137)</u>	<u>(6,161,758)</u>	<u>(11,315,895)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>12,744,003</u>	<u>-</u>	<u>(88,521)</u>	<u>(88,521)</u>	<u>12,655,482</u>
OPERATING EXPENSES					
Program services	10,107,416	-	-	-	10,107,416
Supporting services:					
Management and general	1,991,652	-	-	-	1,991,652
Fundraising	<u>276,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,881</u>
TOTAL OPERATING EXPENSES	<u>12,375,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,375,949</u>
CHANGE IN NET ASSETS	368,054	-	(88,521)	(88,521)	279,533
NET ASSETS - BEGINNING OF YEAR	<u>4,836,347</u>	<u>-</u>	<u>2,072,737</u>	<u>2,072,737</u>	<u>6,909,084</u>
NET ASSETS - END OF YEAR	<u>\$ 5,204,401</u>	<u>\$ -</u>	<u>\$ 1,984,216</u>	<u>\$ 1,984,216</u>	<u>\$ 7,188,617</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
PERSONNEL EXPENSES				
Lawyers	\$ 4,355,407	\$ 278,396	\$ 9,712	\$ 4,643,515
Paralegals	1,817,517	-	1,118	1,818,635
Support staff	1,219,080	932,698	53,773	2,205,551
Employee benefits	1,757,808	277,252	13,980	2,049,040
Payroll taxes	<u>536,672</u>	<u>83,405</u>	<u>4,857</u>	<u>624,934</u>
TOTAL PERSONNEL EXPENSES	<u>9,686,484</u>	<u>1,571,751</u>	<u>83,440</u>	<u>11,341,675</u>
OTHER EXPENSES				
Bad debt expense	-	-	17,495	17,495
Court costs and litigation	125,783	275	-	126,058
Depreciation	35,623	17	2	35,642
Dues and fees	36,036	6,868	175	43,079
Equipment rental and other	59,387	34,017	-	93,404
Insurance	24,618	32,019	-	56,637
Occupancy	534,688	130,378	-	665,066
Other expenses	-	-	3,774	3,774
Postage	24,592	5,535	2,435	32,562
Printing and publications	105,118	8,278	14,451	127,847
Professional fees and contract services	339,387	288,700	103,387	731,474
Supplies	64,378	55,650	6,915	126,943
Telephone	53,430	11,636	-	65,066
Training	60,981	34,280	2,248	97,509
Travel	<u>125,374</u>	<u>15,183</u>	<u>1,566</u>	<u>142,123</u>
TOTAL OTHER EXPENSES	<u>1,589,395</u>	<u>622,836</u>	<u>152,448</u>	<u>2,364,679</u>
TOTAL EXPENSES BEFORE DONATED SERVICES	11,275,879	2,194,587	235,888	13,706,354
Donated legal services	<u>1,210,688</u>	<u>-</u>	<u>-</u>	<u>1,210,688</u>
TOTAL EXPENSES	<u>\$ 12,486,567</u>	<u>\$ 2,194,587</u>	<u>\$ 235,888</u>	<u>\$ 14,917,042</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
PERSONNEL EXPENSES				
Lawyers	\$ 3,546,477	\$ 301,762	\$ 27,978	\$ 3,876,217
Paralegals	1,357,953	2,688	2,957	1,363,598
Support staff	943,987	764,331	79,154	1,787,472
Employee benefits	1,602,799	179,430	15,083	1,797,312
Payroll taxes	<u>425,889</u>	<u>78,705</u>	<u>8,306</u>	<u>512,900</u>
TOTAL PERSONNEL EXPENSES	<u>7,877,105</u>	<u>1,326,916</u>	<u>133,478</u>	<u>9,337,499</u>
OTHER EXPENSES				
Court costs and litigation	131,028	1,687	-	132,715
Depreciation	38,718	-	-	38,718
Dues and fees	32,904	6,282	1,160	40,346
Equipment rental and other	61,400	28,406	-	89,806
Insurance	37,174	6,799	2	43,975
Occupancy	535,289	123,237	2,845	661,371
Postage	13,939	10,169	9,650	33,758
Printing and publications	118,700	9,176	24,651	152,527
Professional fees and contract services	282,545	376,810	41,098	700,453
Supplies	123,474	55,094	57,762	236,330
Telephone	53,009	13,701	1,226	67,936
Training	60,473	27,319	4,819	92,611
Travel	<u>93,596</u>	<u>6,056</u>	<u>190</u>	<u>99,842</u>
TOTAL OTHER EXPENSES	<u>1,582,249</u>	<u>664,736</u>	<u>143,403</u>	<u>2,390,388</u>
TOTAL EXPENSES BEFORE DONATED SERVICES	9,459,354	1,991,652	276,881	11,727,887
Donated legal services	<u>648,062</u>	<u>-</u>	<u>-</u>	<u>648,062</u>
TOTAL EXPENSES	<u>\$ 10,107,416</u>	<u>\$ 1,991,652</u>	<u>\$ 276,881</u>	<u>\$ 12,375,949</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 1,577,592	\$ 279,533
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	35,642	38,718
Contributions restricted for long-term purposes	(1,022,514)	-
Change in value of beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	(4,528)	-
Realized and unrealized (gains) on investments	(313,646)	(309,437)
(Increase) decrease in:		
Federal, state and local grants receivable	(373,582)	(647,697)
Contributions receivable	32,323	(46,019)
Prepaid expenses and deposits	(36,417)	53,114
Operating leases, right-of-use assets	479,896	1,357,239
Increase (decrease) in:		
Accounts payable	(50,626)	53,766
Accrued expenses and other	412,451	111,698
Operating lease liabilities	(474,936)	(1,332,737)
Deferred revenue	58,723	(100,435)
Client escrow deposits	1,681	(4,495)
TOTAL ADJUSTMENTS	<u>(1,255,533)</u>	<u>(826,285)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>322,059</u>	<u>(546,752)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(3,850)	-
Purchases of investments	(1,008,187)	(1,365,728)
Proceeds from sale of investments	<u>592,363</u>	<u>1,389,303</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(419,674)</u>	<u>23,575</u>
FINANCING ACTIVITIES		
Contribution to agency endowment fund held by the Community Foundation of Middle Tennessee	(41,469)	-
Proceeds from contributions restricted for long-term purposes	<u>122,514</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>81,045</u>	<u>-</u>
NET CHANGE IN CASH AND RESTRICTED CASH	(16,570)	(523,177)
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>2,036,739</u>	<u>2,559,916</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 2,020,169</u>	<u>\$ 2,036,739</u>

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

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 - NATURE OF ACTIVITIES

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and 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.

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 SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Receivables

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.

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, 2024 and 2023, all contributions receivable were due within one year.

As of December 31, 2024 and 2023, 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

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.

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 public relations services and other items utilized in the Organization's program and are valued at fair values based on the price that would otherwise be paid if purchased.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Nonfinancial Assets (continued)

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 and Restricted Cash

Cash consists of operating checking accounts with financial institutions and petty cash. Cash that is designated for long-term investment is included in investments in the Statements of Financial Position. The Organization holds restricted cash on behalf of its client's trust accounts which are reported on the Statements of Financial Position as restricted cash. These balances are offset by a corresponding liability.

The following table provides a reconciliation of cash and restricted deposits reported within the Statements of Financial Position that sum to the total in the Statements of Cash Flows at December 31:

	<u>2024</u>	<u>2023</u>
Cash	\$ 2,017,425	\$ 2,035,676
Restricted cash - client escrow deposits	<u>2,744</u>	<u>1,063</u>
	<u>\$ 2,020,169</u>	<u>\$ 2,036,739</u>

Agency Endowment Fund

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

Investments

Investments consist of cash and money market funds held for investment, certificates of deposit ("CDs"), equity securities and fixed income securities. Certificates of deposit are valued at cost plus accrued interest and equity and fixed income securities are carried at the quoted market value on the last business day of the reporting period. Interest and dividend income, as well as realized and unrealized gains and losses, are accounted for in accordance with donor restrictions (if any). The changes in unrealized gains and losses are recognized in the Statement of Activities.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization classifies its investments measured at fair value based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs). 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 used maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Investments - equity and fixed income securities - Securities for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded and are classified within Level 1 of the valuation hierarchy. These investments also include securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data, and other relevant elements, and are classified within Level 2 of the valuation hierarchy.

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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with that of 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 measurements at the reporting date.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,500 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 (office furniture and computer equipment - 3 to 10 years; buildings and improvements - 10 to 39 years).

Property and equipment acquired with Legal Services Corporation funds are considered to be owned by the Organization. However, LSC has a reversionary interest in the property, as well as the final determination of the use of any proceeds from the sale of those assets. At December 31, 2024 and 2023, there were no assets purchased with LSC funds on the Organization's books.

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).

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.

Advertising

The Organization expenses advertising expenses as incurred. Advertising expenses are classified as professional fees and contract services and amounted to \$129,423 and \$207,394 for the years ended December 31, 2024 and 2023, respectively

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

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

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

Supporting Services

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

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

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 occupancy, which is allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, professional fees and contract services, supplies, travel and telephone which are allocated on the basis of estimates of time and effort.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reclassifications

Certain prior year information has been reclassified to conform with the current year presentation. These reclassifications have no effect on net assets or changes in net assets of the prior period.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2024 and April 29, 2025, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 3 - 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>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash	\$ 2,017,425	\$ 2,035,676
Investments	5,510,853	4,781,383
Federal, state and local grants receivable	1,277,402	903,820
Contributions receivable	<u>1,297,945</u>	<u>430,268</u>
Total financial assets	10,103,625	8,151,147
Less amounts not available to be used within one year:		
Deferred grant revenue	(231,866)	(173,143)
Board restricted investment earnings	(283,029)	(245,636)
Restricted by the donor with time or purpose restrictions	<u>(2,962,295)</u>	<u>(1,984,216)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 6,626,435</u>	<u>\$ 5,748,152</u>

As part of the liquidity management plan, the Organization invests cash in excess of normal requirements in short-term investments, CDs and money market funds.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, contributions receivable, investments 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.

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer custodians of the Organization's securities are covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances, such as fraud or failure of the institution. Coverage is limited to \$500,000 per broker/dealer custodian, including up to \$250,000 in cash. The SIPC does not insure against market risk.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 4 - CONCENTRATION OF CREDIT RISK (CONTINUED)

Federal, state and local grant receivables represent concentrations of credit risk to the extent they are receivable from concentrated sources. Federal, state and local grant receivables from two contributors approximated 74% of total grants receivable as of December 31, 2024 (72% from three contributors in 2023).

Contributions receivable consist of annual campaign, foundation and other organization pledges, as well as United Way receivables. Contributions receivable from two contributors approximated 94% of total contributions receivable as of December 31, 2024 (86% from two contributors in 2023).

The Organization received approximately 37% and 45% of its federal, state and local grant revenues, excluding donated services, from Legal Services Corporation in 2024 and 2023, respectively. Federal, state and local grant revenue, excluding donated services from two other sources was approximately 34% of total federal, state and local grant revenue, excluding donated services, for the year ended December 31, 2024 (13% from one source for the year ended December 31, 2023).

The Organization received approximately 55% of its contributions and foundation revenue from two sources for the year ended December 31, 2024 (18% from one source for the year ended December 31, 2023).

NOTE 5 - AGENCY ENDOWMENT FUND

The Organization established and holds a beneficial interest in the Legal Aid Society Agency Endowment Fund, an agency endowment fund held by the Foundation. Earnings on this fund are used for operating expenses to support the Organization.

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 .4% administrative fee by the Foundation annually. Upon request by the Organization, income from the fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - AGENCY ENDOWMENT FUND (CONTINUED)

A schedule of changes in the Organization's beneficial interest in this fund for the year ended December 31, 2024 follows:

	<u>2024</u>
Balance - beginning of year	\$ -
Change in value of beneficial interest in agency endowment fund:	
Contributions to the fund	41,469
Investment income - net	4,777
Administrative expenses	<u>(249)</u>
	45,997
Distributions to the Organization	<u>-</u>
Balance - end of year	<u><u>\$ 45,997</u></u>

NOTE 6 - INVESTMENTS

Investments consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and money market funds	\$ 265,708	\$ 209,669
Certificates of deposit	1,147,608	965,630
Equity securities	2,559,786	2,428,900
Fixed income securities	<u>1,537,751</u>	<u>1,177,184</u>
	<u><u>\$ 5,510,853</u></u>	<u><u>\$ 4,781,383</u></u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 6 - INVESTMENTS (CONTINUED)

The following schedule summarizes the investment income for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Interest and dividend income	\$ 267,838	\$ 123,079
Realized and unrealized gain on investments	313,646	309,437
Less: investment management fees	<u>(31,897)</u>	<u>(29,152)</u>
Investment income, net	<u>\$ 549,587</u>	<u>\$ 403,364</u>

NOTE 7 - FAIR VALUE MEASUREMENTS

Financial assets measured at fair value on a recurring basis consisted of the following at December 31:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ -	\$ 1,537,751	\$ -	\$ 1,537,751
Equity securities	2,559,786	-	-	2,559,786
Beneficial interest in agency endowment fund	<u>-</u>	<u>45,997</u>	<u>-</u>	<u>45,997</u>
<i>Total assets at fair value</i>	<u>\$ 2,559,786</u>	<u>\$ 1,583,748</u>	<u>\$ -</u>	<u>\$ 4,143,534</u>

	<u>2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income securities	\$ -	\$ 1,177,184	\$ -	\$ 1,177,184
Equity securities	<u>2,428,900</u>	<u>-</u>	<u>-</u>	<u>2,428,900</u>
<i>Total assets at fair value</i>	<u>\$ 2,428,900</u>	<u>\$ 1,177,184</u>	<u>\$ -</u>	<u>\$ 3,606,084</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 60,000	\$ 60,000
Buildings and improvements	211,186	211,186
Office furniture and computer equipment	<u>228,174</u>	<u>273,594</u>
	499,360	544,780
Less accumulated depreciation	<u>(346,198)</u>	<u>(359,826)</u>
	<u>\$ 153,162</u>	<u>\$ 184,954</u>

None of the property and equipment shown above were purchased with LSC funding.

NOTE 9 - LEASES

The Organization leases its office space under various cancelable and non-cancelable operating leases with monthly rental payments ranging from approximately \$2,500 to \$24,447 through 2037.

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

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 572,019	\$ 567,393
Variable lease cost	<u>38,111</u>	<u>30,960</u>
Total lease cost	<u>\$ 610,130</u>	<u>\$ 598,353</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 9 - LEASES (CONTINUED)

Additional information related to leases is as follows for the year ended December 31:

	<u>2024</u>	<u>2023</u>
Operating leases:		
Operating lease, right-of-use assets	\$ 2,224,688	\$ 2,704,584
Operating lease liabilities	<u>\$ 2,367,932</u>	<u>\$ 2,842,868</u>
Weighted-average remaining lease term:		
Operating leases	7.19 years	7.61 years
Weighted-average discount rate:		
Operating leases	3.62%	3.61%

Future undiscounted cash flows and a reconciliation to the operating lease liabilities recognized on are as follows as of 2024:

<u>Years ending December 31:</u>	
2025	\$ 491,472
2026	442,236
2027	455,545
2028	333,224
2029	206,706
Thereafter	<u>783,233</u>
Total lease payments	2,712,416
Less imputed interest	<u>(344,484)</u>
Total present value of operating lease liabilities	<u>\$ 2,367,932</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 10 - DEFERRED REVENUE AND LSC GRANT BALANCES

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, 2024, the following amounts were remaining on the various LSC awards received during 2024.

	Original Amount Awarded	Program Income	Total Revenue	Accrued (Deferred) Revenue 12/31/2023	Amount Expended in Prior Years	Amount Expended during 2024	Accrued (Deferred) Revenue 12/31/2024	Remaining Award Available
LSC Basic Field								
Grant 2024	\$ 4,407,477	\$ 22,068	\$ 4,429,545	\$ -	\$ -	\$ 4,397,341	\$ (32,204)	\$ -
LSC TIG Grant	134,530	-	134,530	38,211	134,530	-	-	-
Pro Bono Innovation	<u>73,218</u>	<u>-</u>	<u>73,218</u>	<u>-</u>	<u>-</u>	<u>10,604</u>	<u>10,604</u>	<u>62,614</u>
	<u>\$ 4,615,225</u>	<u>\$ 22,068</u>	<u>\$ 4,637,293</u>	<u>\$ 38,211</u>	<u>\$ 134,530</u>	<u>\$ 4,407,945</u>	<u>\$ (21,600)</u>	<u>\$ 62,614</u>

NOTE 11 - 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>2024</u>	<u>2023</u>
Net investment in property and equipment	\$ 153,162	\$ 184,954
Board designated earnings on donor restricted investment	283,029	245,636
Undesignated	<u>5,367,723</u>	<u>4,773,811</u>
	<u>\$ 5,803,914</u>	<u>\$ 5,204,401</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Contributions and receivables - time restriction	\$ 322,703	\$ 325,019
United Way receivable - time restriction	71,993	72,400
Contributions and receivables - time and purpose restriction	900,000	-
Contributions and receivables - purpose restriction:		
Loewenstein chair	1,430,199	1,430,199
Gilbert Family Fellow	122,514	-
Domestic and sexual assault	12,500	1,990
Tornado relief	-	5,717
Eviction and housing support	-	3,754
Re-entry program	56,484	74,197
Consumer support	30,902	-
Legal clinics	15,000	15,000
Other	-	55,940
	<u>\$ 2,962,295</u>	<u>\$ 1,984,216</u>

NOTE 13 - DONATED LEGAL SERVICES

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

	<u>2024</u>			<u>2023</u>		
			Value of Donated Services			Value of Donated Services
	Rate	Hours		Rate	Hours	
Attorneys	\$250 - \$350	2,925	\$ 960,797	\$250 - \$350	1,507	\$ 472,756
Law clerks	\$50	4,413	220,631	\$50	2,640	132,010
Other services			<u>29,260</u>			<u>43,296</u>
Total donated services			<u>\$ 1,210,688</u>			<u>\$ 648,062</u>

The number of donated service hours varies from year to year depending on the number of cases served and the complexity of those cases.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 14 - RETIREMENT PLAN

The Organization's eligible employees are covered under a 401(k) retirement plan. At the discretion of the Board, contributions to the plan are made by the Organization on behalf of all eligible employees based on their compensation. The Organization contributed \$243,996 and \$242,146, respectively, for the years ended December 31, 2024 and 2023.

NOTE 15 - HEALTH REIMBURSEMENT PROGRAM

In addition to a third-party provider health insurance plan, the Organization has a health reimbursement program for medical expenses of its employees and the employees' dependents. Specific individual claims are limited to \$3,500 for every employee enrolled in the medical plan plus another \$3,500 for each employee that covers at least one dependent. During the years ended December 31, 2024 and 2023, expenses totaled \$67,846 and \$75,625, respectively, under the program. The Organization has accrued a liability for the claims that had been incurred but not paid of \$26,357 and \$26,724, respectively, as of December 31, 2024 and 2023.

NOTE 16 - FUNDRAISING EXPENSES

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

	<u>2024</u>	<u>2023</u>
Annual fundraising campaign	\$ 199,130	\$ 208,324
Recruiting volunteer attorneys	<u>19,263</u>	<u>68,557</u>
	<u>\$ 218,393</u>	<u>\$ 276,881</u>

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 17 - ALLOCATION OF MATCHING FUNDS

The Organization receives the following grants which require matching funds:

- Greater Nashville Regional Council (Title III of the Older Americans Act Grant) requires matching of 10%, except any COVID funds received;
- South Central Tennessee Development District Area Agency on Aging and Disability (Title III of the Older Americans Act Grants) requires matching of 10%;
- U.S. Department of Treasury (Low-Income Taxpayer Clinic Grant), which requires a 100% match on amount earned during the year.

For the years ended December 31, 2024 and 2023, these matches amounted to \$211,434 and \$211,084, respectively.

NOTE 18 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

One donor-designated endowment fund has been established with the Foundation for the benefit of the Organization. The Foundation has the ultimate authority and control over the funds and, therefore, these assets are not included in the Statements of Financial Position of the Organization. Income distributed to the Organization is recognized in the year received. The Organization received distributions in the amount of \$41,687 in the year ended December 31, 2024 (\$41,906 in 2023). Total assets held in this fund amounted to \$898,445 and \$899,111 at December 31, 2024 and 2023, respectively.

NOTE 19 - SUPPLEMENTAL CASH FLOWS INFORMATION

Cash paid for:

Operating leases	<u>\$ 567,059</u>	<u>\$ 542,890</u>
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Non-cash investing and financing activities:

Right-of-use assets obtained from operating lease liabilities	<u>\$ -</u>	<u>\$ 368,877</u>
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NOTE 20 - CONTINGENCIES

The Organization receives substantial funding from federal and state grant awards. The current political climate could affect future funding that could impact the Organization's ability to provide services at the current level. While no specific reductions in funding have been confirmed, this is an area of ongoing concern.

ADDITIONAL INFORMATION

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2024

Program Name	Assistance Listing Number	Contract Number	Award Period	Award Amount	Accrued (Deferred) Revenue 12/31/2023	Receipts	Program Income	Expenditures	Accrued (Deferred) Revenue 12/31/2024	Passed through to Subrecipients
<u>LEGAL SERVICES CORPORATION</u>										
DIRECT:										
Basic Field Grant	09.643040	(1) N/A	01/01/24 - 12/31/24	\$ 4,407,477	\$ -	\$ 4,407,477	\$ 22,068	\$ 4,397,341	\$ (32,204)	\$ -
TIG Grant	09.643040	(1) GT-TG21G-0002	11/01/21 - 10/31/23	\$ 134,530	38,211	38,211	-	-	-	-
Pro Bono Innovation Fund	09.643040	(1) AD-PL-00013	10/01/24 - 03/31/25	\$ 73,218	-	-	-	10,604	10,604	-
TOTAL DIRECT LEGAL SERVICES CORPORATION					38,211	4,445,688	22,068	4,407,945	(21,600)	-
PASSED THROUGH EQUAL JUSTICE WORKS										
Rural Summer Legal Corps Program	09.643040	(1) N/A	05/15/24 - 08/31/24	\$ 7,000	-	7,000	-	7,000	-	-
TOTAL PASSED THROUGH EQUAL JUSTICE WORKS					-	7,000	-	7,000	-	-
TOTAL LEGAL SERVICES CORPORATION					38,211	4,452,688	22,068	4,414,945	(21,600)	-
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>										
PASSED THROUGH WEST TENNESSEE LEGAL SERVICES										
Fair Housing Initiatives Program - Private Enforcement	14.408	FPEI 20065	03/01/21 - 02/29/24	\$ 56,879	12,211	27,605	-	15,394	-	-
Fair Housing Initiatives Program - Private Enforcement	14.408	FPEI122051	07/01/22 - 06/30/23	\$ 52,017	28,436	28,436	-	-	-	-
Fair Housing Initiatives Program - Private Enforcement	14.408	FPEI 230122	08/01/24 - 07/31/25	\$ 48,910	-	103,381	-	138,973	35,592	-
Eviction Protection Grant Program	14.537	EP-22-TN-003	07/01/22 - 12/31/24	\$ 679,249	29,028	198,293	-	169,265	-	-
TOTAL PASSED THROUGH WEST TENNESSEE LEGAL SERVICES					69,675	357,715	-	323,632	35,592	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					69,675	357,715	-	323,632	35,592	-
<u>U.S. DEPARTMENT OF JUSTICE</u>										
DIRECT:										
Legal Assistance for Victims	16.524	15JOVW-23-GG-00546-LEGA	10/01/23 - 09/30/26	\$ 684,475	-	63,491	-	125,917	62,426	-
TOTAL DIRECT US DEPARTMENT OF JUSTICE										
PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION										
Crime Victims Assistance - Victims of Crime Act (VOCA)	16.575	51053	07/01/23 - 06/30/24	\$ 440,500	30,852	223,418	-	192,566	-	-
Crime Victims Assistance - Victims of Crime Act (VOCA)	16.575	51072	07/01/23 - 06/30/24	\$ 603,161	46,217	318,262	-	272,045	-	-
Crime Victims Assistance - Victims of Crime Act (VOCA)	16.575	51072	07/01/23 - 06/30/25	\$ 782,000	-	295,722	-	377,578	81,856	-
TOTAL PASSED THROUGH TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION					77,069	837,402	-	842,189	81,856	-
TOTAL U.S. DEPARTMENT OF JUSTICE					77,069	900,893	-	968,106	144,282	-
<u>U.S. DEPARTMENT OF THE TREASURY</u>										
DIRECT:										
Low Income Taxpayer Clinics	21.008	23-LITC0604-02-01	01/01/23 - 12/31/23	\$ 200,000	93,634	93,634	-	-	-	-
Low Income Taxpayer Clinics	21.008	24-LITC0604-03-02	01/01/24 - 12/31/24	\$ 200,000	-	87,685	-	200,000	112,315	-
TOTAL DIRECT U.S. DEPARTMENT OF THE TREASURY					93,634	181,319	-	200,000	112,315	-

(Continued on next page)

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Program Name	Assistance Listing Number	Contract Number	Award Period	Award Amount	Accrued (Deferred) Revenue 12/31/2023	Receipts	Program Income	Expenditures	Accrued (Deferred) Revenue 12/31/2024	Passed through to Subrecipients
<u>U.S. DEPARTMENT OF THE TREASURY (CONTINUED)</u>										
PASSED THROUGH RUTHERFORD COUNTY, TENNESSEE										
Emergency Rental Assistance Program	21.023	N/A	09/15/21 - 09/14/22	\$ 91,595	\$ 9	\$ 9	\$ -	\$ -	\$ -	\$ -
TOTAL PASSED THROUGH RUTHERFORD COUNTY, TENNESSEE					9	9	-	-	-	-
PASSED THROUGH METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY										
Coronavirus State and Local Fiscal Recovery Funds	COVID - 21.027 (1)	RS2022-1559	07/01/22 - 06/30/24	\$ 2,020,941	(173,143)	626,578	-	799,721	-	-
Coronavirus State and Local Fiscal Recovery Funds	COVID - 21.027 (1)	RS2024-274	07/01/24 - 06/30/25	\$ 1,648,322	-	700,000	-	511,457	(188,543)	18,151
TOTAL PASSED THROUGH METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY					(173,143)	1,326,578	-	1,311,178	(188,543)	18,151
<u>TOTAL U.S. DEPARTMENT OF THE TREASURY</u>					(79,500)	1,507,906	-	1,511,178	(76,228)	18,151
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>										
PASSED THROUGH THE GREATER NASHVILLE REGIONAL COUNCIL										
Aging cluster										
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2426-16	07/01/23 - 06/30/24	\$ 100,000	31,773	77,514	-	45,741	-	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2025-16	07/01/24 - 06/30/25	\$ 125,000	-	57,371	-	67,233	9,862	-
TOTAL PASSED THROUGH THE GREATER NASHVILLE REGIONAL COUNCIL					31,773	134,885	-	112,974	9,862	-
PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY										
Aging cluster										
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	06-2024-13	07/01/23 - 06/30/24	\$ 36,500	-	15,210	-	15,210	-	-
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	06-2025-13	07/01/24 - 06/30/25	\$ 36,500	-	21,290	-	21,290	-	-
TOTAL PASSED THROUGH THE SOUTH CENTRAL TENNESSEE DEVELOPMENT DISTRICT AREA AGENCY ON AGING AND DISABILITY					-	36,500	-	36,500	-	-
PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES										
Temporary Assistance for Needy Families - SSI Representation	93.558	74053	07/01/23 - 06/30/24	\$ 353,760	38,794	138,464	-	99,670	-	-
Temporary Assistance for Needy Families - SSI Representation	93.558	74053	07/01/24 - 06/30/25	\$ 353,760	-	52,483	-	113,619	61,136	-
Temporary Assistance for Needy Families - Tennessee Opportunity Act (FCLS)	93.558	78226	07/01/23 - 06/30/26	\$ 8,635,337	414,493	1,985,088	-	2,318,833	748,238	-
TOTAL PASSED THROUGH TENNESSEE ALLIANCE FOR LEGAL SERVICES					453,287	2,176,035	-	2,532,122	809,374	-
PASSED THROUGH TENNESSEE DEPARTMENT OF HUMAN SERVICES										
Temporary Assitancy for Needy Families	93.558	GR 34530-76723	04/15/23 - 6/30/25	\$ 1,658,478	90,430	609,245	-	657,789	138,974	-
TOTAL PASSED THROUGH TENNESSEE DEPARTMENT OF HUMAN SERVICES					90,430	609,245	-	657,789	138,974	-

(Continued on next page)

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Program Name	Assistance Listing Number	Contract Number	Award Period	Award Amount	Accrued (Deferred) Revenue 12/31/2023	Receipts	Program Income	Expenditures	Accrued (Deferred) Revenue 12/31/2024	Passed through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</u>										
PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH										
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises - Tennessee COVID-19 Health Disparities Initiative	93.391	GR-22-77393-02	12/01/22 - 05/31/25	\$ 139,137	\$ 13,062	\$ 79,833	\$ -	\$ 83,170	\$ 16,399	\$ -
TOTAL PASSED THROUGH TENNESSEE DEPARTMENT OF HEALTH					13,062	79,833	-	83,170	16,399	-
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					<u>588,552</u>	<u>3,036,498</u>	<u>-</u>	<u>3,422,555</u>	<u>974,609</u>	<u>-</u>
TOTAL OF EXPENDITURES OF FEDERAL AWARDS					<u>\$ 694,007</u>	<u>\$ 10,255,700</u>	<u>\$ 22,068</u>	<u>\$ 10,640,416</u>	<u>\$ 1,056,655</u>	<u>\$ 18,151</u>
<u>STATE FINANCIAL ASSISTANCE</u>										
TENNESSEE DEPARTMENT OF FINANCE AND ADMINISTRATION, OFFICE OF CRIMINAL JUSTICE PROGRAMS										
Crime Victims Assistance - Victim Services State Grant	N/A	51848	07/01/23 - 06/30/24	\$ 436,775	\$ 24,775	\$ 236,580	\$ -	\$ 211,805	\$ -	\$ -
TOTAL OF STATE FINANCIAL ASSISTANCE					<u>\$ 24,775</u>	<u>\$ 236,580</u>	<u>\$ -</u>	<u>\$ 211,805</u>	<u>\$ -</u>	<u>\$ -</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*.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Legal Aid Society of Middle Tennessee and the Cumberlands (the "Organization") under programs of the federal government for the year ended December 31, 2024. 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"), the *LSC Audit Guide* and State of Tennessee *Audit Manual*. 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 elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance when an approved indirect cost rate has not been available.

<u>Summary of expenditures by ALN:</u>	
09.643040 - LSC Basic Field Grant	\$ 4,397,341
09.643040 - LSC Pro Bono Innovation	10,604
09.643040 - LSC Rural Summer Legal Corps	7,000
14.408	154,367
14.537	169,265
16.524	125,917
16.575	842,189
21.008	200,000
COVID - 21.027	1,311,178
93.044 - Aging Cluster	149,474
93.391	83,170
93.558	<u>3,189,911</u>
	\$10,640,416

LEGAL AID SOCIETY OF MIDDLE TENNESSEE
AND THE CUMBERLANDS

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

FOR THE YEAR ENDED DECEMBER 31, 2024

	Basic Field Grant	Private Attorney Involvement	Pro Bono Innovation Grant	Total
SUPPORT AND REVENUE				
Grants and contracts - LSC	\$ 3,809,763	\$ 565,510	\$ 10,604	\$ 4,385,877
Interest and investment income	22,068	-	-	22,068
Donated services	-	1,210,688	-	1,210,688
Total support and revenue	<u>3,831,831</u>	<u>1,776,198</u>	<u>10,604</u>	<u>5,618,633</u>
PERSONNEL EXPENSES				
Lawyers	970,391	220,880	7,380	1,198,651
Paralegals	432,365	36,087	-	468,452
Support staff	910,729	121,177	1,369	1,033,275
Employee benefits	532,834	50,889	1,196	584,919
Payroll taxes	152,424	28,159	659	181,242
Total personnel expenses	<u>2,998,743</u>	<u>457,192</u>	<u>10,604</u>	<u>3,466,539</u>
OTHER EXPENSES				
Donated services	-	1,210,688	-	1,210,688
Court costs and litigation	37,464	6,369	-	43,833
Dues and fees	1,068	-	-	1,068
Equipment rental and other	57,622	1,916	-	59,538
Insurance	27,682	2,122	-	29,804
Occupancy	278,762	33,559	-	312,321
Postage	18,483	444	-	18,927
Printing and publications	55,713	3,825	-	59,538
Professional fees and contract services	141,197	41,672	-	182,869
Supplies	48,814	6,686	-	55,500
Telephone	45,273	2,670	-	47,943
Training	63,959	4,975	-	68,934
Travel	57,051	4,080	-	61,131
Total other expenses	<u>833,088</u>	<u>1,319,006</u>	<u>-</u>	<u>2,152,094</u>
TOTAL EXPENSES	<u>3,831,831</u>	<u>1,776,198</u>	<u>10,604</u>	<u>5,618,633</u>
SUPPORT AND REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CHANGES IN NET ASSETS	-	-	-	-
NET ASSETS - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Society of Middle Tennessee and the Cumberland
Nashville, 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 Society of Middle Tennessee and the Cumberland (the "Organization"), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Legal Aid Society of Middle Tennessee and the Cumberland'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Legal Aid Society of Middle Tennessee and the Cumberlands' 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*.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS' RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Legal Aid Society of Middle Tennessee and the Cumberlands' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Legal Aid Society of Middle Tennessee and the Cumberlands response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 29, 2025



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 Society of Middle Tennessee and the Cumberland
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Legal Aid Society of Middle Tennessee and the Cumberland'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, 2024. 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 Society of Middle Tennessee and the Cumberland's 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, 2024.

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.

KraftCPAs PLLC

Nashville, Tennessee
April 29, 2025

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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? X yes 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:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
--	--

09.643040	Legal Services Corporation - Basic Field Grant
COVID - 21.027	Coronavirus State and Local Fiscal Recovery Funds

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 SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

PRIOR YEAR

There were no prior year findings.

CURRENT YEAR

2024-001 Internal Control over Financial Reporting

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting so that financial statements are complete, accurate and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Condition, Cause and Effect:

During 2024 the Organization changed their payroll process to pay employees in arrears versus in advance. As a result, the last pay period of December 2024 was not paid until January 2025. The Organization did not accrue for these amounts during 2024, which resulted in the following adjustments:

- Accrued wages and salary expenses increased by approximately \$368,000
- Accounts receivable and revenue for various federal, state, and local grants - the Organization charges salaries to various grants as such these grants should have had additional expenditures requested for 2024. The accounts receivable increased approximately \$124,000, deferred revenue decreased by approximately \$147,000, and grant revenue increased approximately \$271,000

The audit team identified an additional \$18,000 of expenditures that should have been expended to the Coronavirus State and Local Fiscal Recovery Funds (CSLRF) grant. These funds related to invoices that were not properly accrued at year-end.

As noted above the expenditures on the original schedule of expenditures of federal awards (SEFA) should have been increased by approximately \$289,000, thus the SEFA required material adjustments to ensure it was properly stated at year-end.

The audit team proposed the following additional adjustments that increased the current year change in net assets to properly present balances in accordance in GAAP and present accurate financial statements.

LEGAL AID SOCIETY OF MIDDLE TENNESSEE AND THE CUMBERLANDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

2024-001 Internal Control over Financial Reporting (continued)

Condition, Cause and Effect (continued)

Current year adjustments include:

- To record donated services
- To properly record fixed assets that were incorrectly capitalized and disposals that were not removed from the general ledger
- To adjust the campaign revenue and receivable at year-end
- To record credit card donations in transit at year-end that were not recorded
- To adjusted accrued retirement liability at year-end

All the adjustments noted above resulted in a decrease in the current year change in net assets of approximately \$13,000.

Recommendation:

The audit team recognizes the accrued wages issue was a result of a change in payroll processing. We recommend management analyze process changes for any accounting effect going forward prior to final close and audit of the books and records. Additionally, we recommend a year-end closing checklist to include review of property and equipment accounts and reconcile the accrual and receivable accounts at year-end.

Management's Response:

Management agrees with the auditor's recommendation and will implement a plan to do so.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PRIOR YEAR

There were no prior year findings.

CURRENT YEAR

There were no current year findings.