

Legal Aid Society of Cincinnati

LSC Recipient Number 436040

**Consolidated Financial Statements with Supplementary Information
December 31, 2018 and 2017, with
Independent Auditors' Report**

LEGAL AID SOCIETY OF CINCINNATI
December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Trustees
Legal Aid Society of Cincinnati
Cincinnati, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Legal Aid Society of Cincinnati (nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Society of Cincinnati as of December 31, 2018 and 2017 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.

**Independent Auditors' Report
(Continued)**

Effect of Adopting New Accounting Standard

As discussed in Note 1, Legal Aid Society of Cincinnati has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Additionally, the consolidating statement of financial position, consolidating statement of activities and the supplemental schedule of activities shown on pages 20 through 22 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements of Legal Aid Society of Cincinnati. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2019, on our consideration of Legal Aid Society of Cincinnati's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Legal Aid Society of Cincinnati's internal control over financial reporting and compliance.



April 26, 2019
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Financial Position
December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,189,090	\$ 1,040,425
Cash held in trust for clients	28,013	989,459
Investments	2,436,396	2,774,446
Grants and contracts receivable	462,630	610,540
Contributions receivable, net	802,675	1,277,454
Property and equipment, net	3,333,938	3,317,930
Other assets, net	26,907	34,190
Investments restricted by donors for endowment	667,658	667,658
	<u>\$ 8,947,307</u>	<u>\$ 10,712,102</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 174,282	\$ 275,630
Accrued annual leave	318,861	302,998
Accrued expenses	92,267	78,405
Assets held for others	28,013	989,458
Interest rate swap agreement	40,498	70,130
Note payable, bank	1,223,183	1,329,856
	<u>1,877,104</u>	<u>3,046,477</u>
Net Assets		
Without donor restrictions		
Operating	406,515	588,014
Net investment in property and equipment	2,070,257	1,917,944
Board designated operating reserves	2,645,778	2,826,835
	<u>5,122,550</u>	<u>5,332,793</u>
With donor restrictions	<u>1,947,653</u>	<u>2,332,832</u>
	<u>7,070,203</u>	<u>7,665,625</u>
Total liabilities and net assets	<u>\$ 8,947,307</u>	<u>\$ 10,712,102</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017**

	2018	2017
Changes in net assets without donor restrictions		
Revenue, gains and other support:		
Other grants and contracts	\$ 2,684,113	\$ 2,730,677
Ohio Legal Aid Fund	2,286,919	2,215,016
Grants from Legal Services Corporation	1,730,559	1,626,720
Rental income	253,336	244,131
Contributions	232,642	230,571
Other	128,998	88,735
Donated services and materials	94,082	191,167
Investment return, net	(67,471)	451,016
Net assets released from restrictions:		
United Way	415,000	428,180
Other	739,763	752,314
Total revenue, gains and other support	8,497,941	8,958,527
Expenses:		
Housing and consumer program	1,861,323	1,753,239
Employment and benefits program	1,120,771	1,108,967
Family and children program	3,623,673	3,659,768
General and civil program	637,209	507,301
Total program services	7,242,976	7,029,275
Management and general	1,011,836	907,412
Fundraising	99,563	120,264
Rental property	263,357	269,708
Total expenses	8,617,732	8,326,659
Change in net assets without donor restrictions from operations	(119,791)	631,868
Change in value of interest rate swap agreement	29,632	30,095
Change in net assets without donor restrictions	(90,159)	661,963
Changes in net assets with donor restrictions		
Ohio Legal Aid Fund	87,500	75,000
Grants	230,000	282,500
United Way of Greater Cincinnati	332,000	415,000
Net assets released from restrictions	(1,154,763)	(1,180,494)
Change in net assets with donor restrictions	(505,263)	(407,994)
Change in net assets	(595,422)	253,969
Net assets, beginning of year	7,665,625	7,411,656
Net assets, end of year	\$ 7,070,203	\$ 7,665,625

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Consolidated Statement of Functional Expenses Year Ended December 31, 2018

	<u>Housing and Consumer Program</u>	<u>Employment and Benefits Program</u>	<u>Family and Children Program</u>	<u>General and Civil Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Rental Property</u>	<u>Total Expenses</u>
Salaries	\$ 1,185,826	\$ 714,780	\$ 2,172,107	\$ 383,847	\$ 435,914	\$ 61,963	\$ -	\$ 4,954,437
Employee benefits	296,307	242,021	557,615	167,144	134,960	17,845	-	1,415,892
Payroll taxes	72,748	48,618	143,577	27,010	61,022	4,833	-	357,808
Total salaries and related expenses	1,554,881	1,005,419	2,873,299	578,001	631,896	84,641	-	6,728,137
Contracted attorney fees	31,717	18,869	180,313	16,146	-	-	-	247,045
Contracted services and professional fees	1,524	7,889	310,995	1,170	57,386	-	9,200	388,164
Specific assistance to individuals	125,731	-	-	-	-	-	-	125,731
Litigation and advocacy	11,106	6,386	29,704	68	-	-	-	47,264
Supplies	7,842	6,433	13,857	4,548	89,735	8,730	535	131,680
Telephone	5,877	8,082	11,675	2,545	5,372	11	4,108	37,670
Postage and shipping	5,286	1,196	3,463	287	22,009	3,486	267	35,994
Occupancy	45,595	25,525	61,836	16,585	37,711	-	126,026	313,278
Training and travel	32,887	20,540	70,420	4,360	15,976	362	-	144,545
Subscriptions and publications	2,934	213	1,394	133	18,538	206	-	23,418
Membership dues	8,213	3,656	8,797	1,996	22,018	1,065	-	45,745
Insurance	2,346	2,801	8,855	3,079	13,825	-	5,000	35,906
Equipment rental and maintenance	4,003	1,660	6,485	537	25,896	-	-	38,581
Interest and bank fees	274	445	742	381	31,889	-	64,405	98,136
Depreciation and amortization	18,830	10,542	25,537	6,850	15,573	-	49,684	127,016
Other	2,277	1,115	16,301	523	24,012	1,062	4,132	49,422
	<u>\$ 1,861,323</u>	<u>\$ 1,120,771</u>	<u>\$ 3,623,673</u>	<u>\$ 637,209</u>	<u>\$ 1,011,836</u>	<u>\$ 99,563</u>	<u>\$ 263,357</u>	<u>\$ 8,617,732</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Consolidated Statement of Functional Expenses Year Ended December 31, 2017

	<u>Housing and Consumer Program</u>	<u>Employment and Benefits Program</u>	<u>Family and Children Program</u>	<u>General and Civil Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Rental Property</u>	<u>Total Expenses</u>
Salaries	\$ 1,020,994	\$ 714,422	\$ 2,122,592	\$ 303,825	\$ 459,421	\$ 72,784	\$ -	\$ 4,694,038
Employee benefits	268,465	224,315	530,164	125,202	172,100	21,429	-	1,341,675
Payroll taxes	71,968	58,091	161,453	20,845	20,024	6,174	-	338,555
Total salaries and related expenses	1,361,427	996,828	2,814,209	449,872	651,545	100,387	-	6,374,268
Contracted attorney fees	144,712	7,940	205,121	10,547	836	-	-	369,156
Contracted services and professional fees	2,458	12,731	341,323	1,947	33,553	6,200	8,100	406,312
Specific assistance to individuals	73,127	-	-	-	-	-	-	73,127
Litigation and advocacy	11,941	3,910	23,638	13	45	-	-	39,547
Supplies	18,872	10,266	34,079	4,038	26,376	10,645	409	104,685
Telephone	6,869	8,854	17,028	6,086	4,528	4	4,268	47,637
Postage and shipping	2,393	586	2,321	242	22,635	1,816	165	30,158
Occupancy	47,673	26,285	73,915	17,778	26,432	-	126,410	318,493
Training and travel	35,336	13,264	69,043	2,004	23,335	271	-	143,253
Subscriptions and publications	2,458	398	868	30	17,568	196	-	21,518
Membership dues	12,647	5,149	16,536	2,171	21,266	745	-	58,514
Insurance	2,156	3,944	8,099	1,501	12,477	-	6,000	34,177
Equipment rental and maintenance	8,877	5,684	17,701	2,268	5,308	-	-	39,838
Interest and bank fees	584	940	1,757	661	28,509	-	69,673	102,124
Depreciation and amortization	19,730	10,878	30,590	7,357	10,939	-	50,125	129,619
Other	1,979	1,310	3,540	786	22,060	-	4,558	34,233
	<u>\$ 1,753,239</u>	<u>\$ 1,108,967</u>	<u>\$ 3,659,768</u>	<u>\$ 507,301</u>	<u>\$ 907,412</u>	<u>\$ 120,264</u>	<u>\$ 269,708</u>	<u>\$ 8,326,659</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (595,422)	\$ 253,969
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	127,016	129,619
Net realized and unrealized (gains) losses on investments	153,509	(369,584)
Change in value of interest rate swap agreement	(29,632)	(30,095)
Receipts of client trust funds held in agency transactions	136,281	1,081,775
Payments of client trust funds held in agency transactions	(1,097,726)	(100,449)
Changes in:		
Grants and contracts receivable	147,910	1,599
Contributions receivable, net	474,779	484,443
Other assets, net	7,283	81,665
Accounts payable	(101,348)	136,097
Accrued annual leave	15,863	11,054
Other accrued liabilities	13,862	(24,299)
	<u>(747,625)</u>	<u>1,655,794</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(143,024)	(44,869)
Purchase of investments	(464,745)	(556,148)
Proceeds from sale of investments	649,286	466,380
	<u>41,517</u>	<u>(134,637)</u>
Net cash provided by (used in) investing activities		
Cash flows used in financing activities		
Principal payments on note payable	(106,673)	(101,461)
	<u>(106,673)</u>	<u>(101,461)</u>
Net change in cash, cash equivalents, and restricted cash	(812,781)	1,419,696
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,029,884</u>	<u>610,188</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,217,103</u>	<u>\$ 2,029,884</u>
Supplemental cash flows information		
Interest paid	\$ 98,136	\$ 102,124

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The consolidated financial statements include the accounts of the Legal Aid of Society of Cincinnati (d.b.a. Legal Aid of Society of Greater Cincinnati) (LASGC), its wholly owned subsidiary, the Community Law Center Real Estate Company (CLC), and its single-member limited liability company, the Legal Aid Society of Southwest Ohio, LLC (LASSO). These entities are collectively referred to as “the Society”. LASGC is incorporated in the State of Ohio as a charitable organization. The purposes of LASGC are to secure justice for and to protect the legal rights of the indigent in civil matters, to promote measures for their assistance, to employ attorneys and other qualified individuals to represent, advise and defend person served by LASGC, to develop knowledge of and interest in the work of LASGC among law students and others and to do all things deemed desirable to carry out the charitable purposes of LASGC.

LASGC is dependent on funds from public support and grants from governmental agencies. A major source of government grants is the Legal Services Corporation (LSC), a nonprofit organization formed to administer legal service programs.

CLC was formed to purchase an office building, which is primarily rented by the Society for its main offices. Excess space in this building is presently rented to others. LASSO was formed to provide legal services using funds other than those of LSC and to utilize a name that better reflects the Society’s seven county Southwest Ohio service area. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents / Client Trust Accounts

The Society considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts. The Society maintains its cash in bank deposit accounts, which at times, exceed federally insured limits. The Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Society receives deposits from clients for payment ordered by the court, and deposits from other parties that may include funds payable to clients, other parties and attorney’s fees. Pursuant to Rules of Professional Conduct, these amounts are maintained in separate client trust bank accounts and are not available for use in operations. In 2017, the Society was designated as the Trustee of a large (\$1,000,000) settlement fund for the benefit of certain former residents of federally subsidized rental properties. No deposits remained related to that settlement at December 31, 2018.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents / Client Trust Accounts (Continued)

At December 31, 2018, cash and cash equivalents of \$1,189,090 and client trust funds of \$28,013 reported within the statement of financial position sum to the total of \$1,217,103, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. At December 31, 2017, cash and cash equivalents of \$1,040,425 and client trust funds of \$989,459 reported within the statement of financial position sum to the total of \$2,029,884, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividends, interest and realized and unrealized gains and loss of investments, net of investment fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Contributions

The Society records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions and net assets without donor restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. The Society has numerous grants for which the grantor agencies' promises to give are conditioned upon the Society incurring certain qualifying expenses under the grant programs. At December 31, 2018 and 2017, these conditional promises to give totaled approximately \$1,571,000 and \$1,261,000. Many of these amounts are conditioned upon the grantor's availability of funds for the grant purpose in future years, mutual agreement to proceed with the grant project, and satisfactory performance under the grant agreements.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted primarily of donated attorney services and benefited all programs.

Government Grants

Support funded by grants is recognized as the Society performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue Recognition

The Society maintains purchase of services agreements with various governments and not-for-profit organizations whereby these entities purchase certain types of legal services from the Society. The Society has discretion in determining which legal services within the contract terms will be provided. Revenue from the agreements is recognized monthly in the amount of the expenses incurred, or billings made, up to the contract amount.

Revenue Concentrations

At December 31, 2018 and 2017, there were no funders that comprised greater than 10% of the total grants and contracts receivable balance. The Society received funding from two entities, the Legal Services Corporation and the Ohio Legal Assistance Foundation/Ohio Legal Aid Fund that together comprised 48% and 43% of total revenue, gains and other support during 2018 and 2017, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Society is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Society is subject to federal income tax on any unrelated business taxable income.

The Society's IRS Form 990 is subject to review and examination by federal and state authorities. The Society believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Expenses have been classified based upon actual and direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which were allocated based upon time spent by the Society's personnel, and occupancy and depreciation, which are allocated based on square footage.

Effect of Adopting New Accounting Standard

In 2018, the Society adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Society adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Society's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Society's year ending December 31, 2020.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether 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. This standard will be effective for the Society's year ending December 31, 2019.

The Society is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

Reclassifications

Certain reclassifications were made to the 2017 amounts in order to be consistent with the classifications adopted for reporting in 2018. These reclassifications had no effect on the change in net assets.

Subsequent Events

The Society has evaluated subsequent events through April 26, 2019, which is the date the financial statements were available to be issued.

NOTE 2 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, comprise the following as of December 31, 2018:

Cash and cash equivalents	\$ 831,854
Grants and contracts receivable	352,630
Contributions receivable, net	<u>519,377</u>
	<u>\$ 1,703,861</u>

The Society's board designated operating reserves of \$2,645,778 is subject to an annual spending policy as described in Note 9. Although the Society does not intend to spend from this board designated fund other than amounts appropriated for expenditure, these amounts could be made available, if necessary.

As part of its liquidity management plan, the Society invests cash in excess of daily requirements in short-term investments and money market funds.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 3 INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Common stocks	\$ 1,962,992	\$ 2,306,120
Equity mutual funds	175,255	215,311
Corporate debt securities	632,735	674,595
U.S. Government obligations	225,183	175,498
Mortgage backed securities	107,889	70,580
	<u>\$ 3,104,054</u>	<u>\$ 3,442,104</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 807,675	\$ 880,407
Due in one to five years	5,000	407,047
Less allowance for uncollectible contributions	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 802,675</u>	<u>\$ 1,277,454</u>

NOTE 5 PROPERTY AND EQUIPMENT

The Society's wholly-owned subsidiary, CLC was established for the purpose of acquiring an office building to house the Society' main offices. During 2018 and 2017, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2018</u>	<u>2017</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	4,063,469	3,920,445
Leasehold improvements	94,110	94,110
Office furniture and equipment	<u>481,135</u>	<u>481,135</u>
	6,435,441	6,292,417
Less accumulated depreciation	<u>(3,101,503)</u>	<u>(2,974,487)</u>
	<u>\$ 3,333,938</u>	<u>\$ 3,317,930</u>

Total depreciation expense was \$127,016 and \$128,617 for 2018 and 2017, respectively.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 6 NOTE PAYABLE

The Society has an amortizing term loan with a bank that matures in November 2027. The balance of the loan was \$1,223,183 and \$1,329,856 at December 31, 2018 and 2017, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (4.10% at December 31, 2018). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

Future principal payments at December 31, 2018, were:

2019	\$	112,622
2020		118,407
2021		124,490
2022		130,885
2023		137,609
Thereafter		<u>599,170</u>
	\$	<u>1,223,183</u>

NOTE 7 INTEREST RATE SWAP AGREEMENT

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations in prior years, the Society entered into an interest rate swap agreement. The agreement provides for the Society to receive interest from the counterparty at LIBOR plus 1.75% and to pay interest to the counterparty at a fixed rate of 5.02% on the notional amount of \$1,229,389 and \$1,336,062 at December 31, 2018 and 2017, respectively. Under the agreement, the Society pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at its fair value with subsequent changes in fair value included in revenues, gains and other support.

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

The Society has funds invested which the Board makes subject to an annual spending rate of 4% as outlined in the Investment Policy. The Board may make additional funds available for the operations as part of the Board's annual budget approval and appropriations and may also permit accumulated withdrawals to be carried over to subsequent years and used for operating purposes with the formal approval of the Finance Committee.

At December 31, 2018 and 2017, the Society's net assets without donor restriction is comprised of \$2,645,778 and \$2,826,835, respectively, of Board designated amounts for operating reserves.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 8 NET ASSETS (CONTINUED)

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted subject to expenditure for specified purpose, passage of time, or restriction in perpetuity subject to spending policy and appropriation. Most federal grants are accounted for as contributions with donor restrictions. The following are subject to expenditure for specified purposes or periods as of December 31:

	2018	2017
For periods after December 31	\$ 484,113	\$ 899,898
Subject to expenditure for specified purpose:		
Legal Services Corporation fund carryover	120,084	-
Work and income assistance	15,000	-
Stabilizing Neighborhoods	175,000	75,000
Education	72,500	-
Maternal Health/Child Help Partnerships	413,298	690,276
Donor-restricted endowment restricted in perpetuity	667,658	667,658
	\$ 1,947,653	\$ 2,332,832

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors. Those releases were as follows for the years ended December 31:

	2018	2017
Time restrictions expired	\$ 672,785	\$ 683,609
Purpose restrictions expired	481,978	496,885
	\$ 1,154,763	\$ 1,180,494

NOTE 9 ENDOWMENT

The Society's endowment funds consist of donor-restricted endowment funds established to provide income to support the operation of the Society. As required by GAAP, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The original value of gifts to the donor-restricted endowment funds and the original value of subsequent gifts are classified as net assets with donor restrictions (a time restriction in perpetuity). Investment return from the donor-restricted endowment funds is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by its Spending Policy. Investment return from donor-restricted endowments is expendable to support any activity of the Society.

The Society has a donor-restricted endowment fund established through the "Help Make Things Happen" fundraising campaign. At December 31, 2018 and 2017, the amount of the donor-restricted endowment was \$667,658.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 9 ENDOWMENT (CONTINUED)

The changes in donor-restricted endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	\$ 667,658	\$ 667,658
Contributions	-	-
Investment return, net	(27,972)	120,453
Appropriations for accumulation (expenditure)	<u>27,972</u>	<u>(120,453)</u>
Endowment net assets, end of year	<u>\$ 667,658</u>	<u>\$ 667,658</u>

Investment Policy

The Society has an Investment Policy to satisfy the long-term objective for total return of its endowment. To satisfy its long-term rate of return the Society relies on a strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Society targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy

The Society has a spending policy that allows appropriating for expenditure each year up to 4% of the total investment account value, including its endowment fund's average fair value at the prior year end. In addition, the policy requires that the historic value of the endowment fund be preserved. If the Society does not appropriate the full amount permitted by the spending policy, accumulated endowment earnings amounts may be appropriated in future years or on an as needed basis since the amounts are considered net assets without donor restrictions. The Society's objective is to maintain the purchasing power of endowment and invested assets held in perpetuity or for a specified term, as well as to provide additional growth through new gifts and investment return.

NOTE 10 RELATED PARTY TRANSACTIONS

The Volunteer Lawyers for the Poor Foundation (VLP) is a nonprofit corporation whose purpose is to recruit and maintain a reservoir of volunteer lawyers to provide legal services that supplement the Society's ability to serve indigent residents. The Society contributes administrative support to VLP, refers legal cases to lawyers engaged by VLP and assists in the recruitment of volunteer lawyers. The cost of this administrative support amounted to approximately \$342,000 and \$302,000 in 2018 and 2017, respectively.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 11 OTHER GRANTS AND CONTRACTS

Other grants and contracts during 2018 and 2017 consisted of the following:

	2018	2017
Community Development Block Grant		
Cincinnati	\$ 183,829	\$ 137,000
Middletown	15,955	8,287
Opportunities for Ohioans with Disabilities	5,461	5,849
Guardian Ad Litem - Butler County	682,508	682,508
Social Security Administration/Work Incentives Program	171,151	157,072
Ohio Attorney General VOCA	156,025	187,179
Stabilizing Neighborhoods through Secure Housing	57,000	174,500
Department of Justice/Violence Against Women	208,904	202,815
Medical Legal Partnership	134,373	207,867
Team Child	110,004	110,004
Low Income Taxpayer Clinic	85,000	78,803
Metropolitan Sewer District-Sewer Back Up	25,362	40,631
Attorney/Staff Fellowships	176,716	45,500
Emergency Mortgage Assistance Cincinnati	112,068	85,114
Family Law Grants	5,818	56,625
Kids in School Rule HCJFS	326,745	367,643
Cincinnati HS Clearing Legal Hurdles	40,000	40,000
Other	187,194	143,280
	\$ 2,684,113	\$ 2,730,677

NOTE 12 RENTAL INCOME

The Society rents office and parking space to various tenants with leases expiring through 2026. One lease contains a renewable option for an additional five-year period. Future minimum rent income under the operating leases at December 31, 2018 was:

2019	\$ 229,916
2020	232,865
2021	224,892
2022	197,050
2023	77,635
Thereafter	220,082
	\$ 1,182,440

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 13 OPERATING LEASES

Non-cancellable operating leases for certain office space and office equipment expire in various years through 2023. One lease contains a renewable option for an additional five-year period. Future minimum lease payments at December 31, 2018, were:

2019	\$	23,317
2020		21,514
2021		17,910
2022		17,910
2023		11,940
		<hr/>
	\$	92,591

Rent expense was approximately \$103,000 and \$104,000 in 2018 and 2017, respectively.

NOTE 14 PENSION PLAN

The Society has a defined contribution pension plan covering substantially all employees. The Society is required to contribute 7.8% of the participants' annual compensation, net of any forfeitures that have reverted to the Society. Pension expense was approximately \$341,000 and \$354,000 for 2018 and 2017, respectively.

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1** – Observable inputs that reflect quoted prices in active markets
- **Level 2** – Inputs other than quoted prices in active markets that are either directly or indirectly observable
- **Level 3** – Unobservable inputs in which little or no market data exists, therefore requiring the organization to develop its own assumptions

LEGAL AID SOCIETY OF CINCINNATI

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31:

<u>2018</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Common stocks	\$ 1,962,992	\$ 1,962,992	\$ -
Equity mutual funds	175,255	215,311	-
Corporate debt securities	632,735	-	632,735
U.S. Government obligations	225,183	-	225,183
Mortgage backed securities	107,889	-	107,889
	<u>\$ 3,104,054</u>	<u>\$ 2,178,303</u>	<u>\$ 965,807</u>
Interest rate swap	<u>\$ 40,498</u>	<u>\$ -</u>	<u>\$ 40,498</u>
<u>2017</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Common stocks	\$ 2,306,120	\$ 2,306,120	\$ -
Equity mutual funds	215,311	215,311	-
Corporate debt securities	674,595	-	674,595
U.S. Government obligations	175,498	-	175,498
Mortgage-backed securities	70,580	-	70,580
	<u>\$ 3,442,104</u>	<u>\$ 2,521,431</u>	<u>\$ 920,673</u>
Interest rate swap	<u>\$ 70,130</u>	<u>\$ -</u>	<u>\$ 70,130</u>

There were no valuations using level 3 inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position.

Investments

Fair values for common stocks and equity mutual funds are estimated using quoted prices in active markets.

Fair values for corporate debt securities are estimated using pricing models taking into account par value, interest rate and maturity date as compared to other similar assets in active markets. Fair values for U.S. government obligations and mortgage-backed securities are estimated using pricing models or quoted prices of securities with similar characteristics.

Interest Rate Swap

The interest rate swap is valued by a third party utilizing models that use as their basis readily observable market parameters.

SUPPLEMENTARY INFORMATION

LEGAL AID SOCIETY OF CINCINNATI

**Consolidating Statement of Financial Position
December 31, 2018**

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
Assets					
Cash and cash equivalents	\$ 745,353	\$ 228,820	\$ 214,917	\$ -	\$ 1,189,090
Cash held in trust for clients	9,286	18,727	-	-	28,013
Investments	2,436,396	-	-	-	2,436,396
Grants and contracts receivable	481,722	-	-	(19,092)	462,630
Contributions receivable, net	802,675	891,667	-	(891,667)	802,675
Amounts due from subsidiary	1,213,251	-	-	(1,213,251)	-
Property and equipment, net	28,689	-	3,305,249	-	3,333,938
Investment in subsidiary	2,009,216	-	-	(2,009,216)	-
Other assets, net	16,227	10,447	233	-	26,907
Investments restricted by donors for endowment	667,658	-	-	-	667,658
	<u>\$ 8,410,473</u>	<u>\$ 1,149,661</u>	<u>\$ 3,520,399</u>	<u>\$ (4,133,226)</u>	<u>\$ 8,947,307</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 999,505	\$ 76,859	\$ 48,338	\$ (950,420)	\$ 174,282
Amounts due to parent	-	1,000,000	173,590	(1,173,590)	-
Accrued annual leave	304,463	14,398	-	-	318,861
Other accrued liabilities	27,015	39,677	25,575	-	92,267
Assets held for others	9,286	18,727	-	-	28,013
Interest rate swap agreement	-	-	40,498	-	40,498
Note payable, bank	-	-	1,223,183	-	1,223,183
	<u>1,340,269</u>	<u>1,149,661</u>	<u>1,511,184</u>	<u>(2,124,010)</u>	<u>1,877,104</u>
Net Assets					
Without donor restrictions					
Operating	2,448,084	-	(32,353)	(2,009,216)	406,515
Net investment in property and equipment	28,689	-	2,041,568	-	2,070,257
Board designated operating reserves	2,645,778	-	-	-	2,645,778
	<u>5,122,551</u>	<u>-</u>	<u>2,009,215</u>	<u>(2,009,216)</u>	<u>5,122,550</u>
With donor restrictions					
	<u>1,947,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,947,653</u>
	<u>7,070,204</u>	<u>-</u>	<u>2,009,215</u>	<u>(2,009,216)</u>	<u>7,070,203</u>
	<u>\$ 8,410,473</u>	<u>\$ 1,149,661</u>	<u>\$ 3,520,399</u>	<u>\$ (4,133,226)</u>	<u>\$ 8,947,307</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

Consolidating Statement of Activities Year Ended December 31, 2018

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
Changes in net assets without donor restrictions					
Revenue, gains and other support					
Other grants and contracts	\$ 2,684,113	\$ -	\$ -	\$ -	\$ 2,684,113
Ohio Legal Aid Fund	2,286,919	-	-	-	2,286,919
Grants from Legal Services Corporation	1,730,559	-	-	-	1,730,559
Rental income	-	-	566,545	(313,209)	253,336
Contributions	232,642	-	-	-	232,642
Other	163,973	55,636	1,125	(91,736)	128,998
Donated services and materials	53,586	40,496	-	-	94,082
Investment return, net	(67,471)	-	-	-	(67,471)
Gain on investment in subsidiary	116,709	-	-	(116,709)	-
Intercompany revenue	(4,933,937)	5,012,872	-	(78,935)	-
Net assets released from restrictions:					
United Way	415,000	-	-	-	415,000
Other	739,763	-	-	-	739,763
Total revenue, gains and other support	<u>3,421,856</u>	<u>5,109,004</u>	<u>567,670</u>	<u>(600,589)</u>	<u>8,497,941</u>
Expenses					
Housing and consumer program	579,670	1,364,353	52,896	(135,596)	1,861,323
Employment and benefits program	538,958	614,296	29,612	(62,095)	1,120,771
Family and children program	1,478,438	2,245,977	71,737	(172,479)	3,623,673
General and civil program	469,823	182,879	19,241	(34,734)	637,209
Total program services	<u>3,066,889</u>	<u>4,407,505</u>	<u>173,486</u>	<u>(404,904)</u>	<u>7,242,976</u>
Management and general	345,909	701,152	43,750	(78,975)	1,011,836
Fundraising	99,216	347	-	-	99,563
Rental property	-	-	263,357	-	263,357
Total expenses	<u>3,512,014</u>	<u>5,109,004</u>	<u>480,593</u>	<u>(483,879)</u>	<u>8,617,732</u>
Change in net assets without donor restrictions					
from operations	(90,158)	-	87,077	(116,710)	(119,791)
Change in value of interest rate swap agreement	-	-	29,632	-	29,632
Change in net assets without donor restrictions	<u>(90,158)</u>	<u>-</u>	<u>116,709</u>	<u>(116,710)</u>	<u>(90,159)</u>
Changes in net assets with donor restrictions					
Ohio Legal Aid Fund	87,500	-	-	-	87,500
Other grants and contracts	230,000	-	-	-	230,000
United Way of Greater Cincinnati	332,000	-	-	-	332,000
Net assets released from restrictions	(1,154,763)	-	-	-	(1,154,763)
Change in net assets with donor restrictions	<u>(505,263)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(505,263)</u>
Change in net assets	<u>(595,421)</u>	<u>-</u>	<u>116,709</u>	<u>(116,710)</u>	<u>(595,422)</u>
Net assets, beginning of year	<u>7,665,625</u>	<u>-</u>	<u>1,892,506</u>	<u>(1,892,506)</u>	<u>7,665,625</u>
Net assets, end of year	<u>\$ 7,070,204</u>	<u>\$ -</u>	<u>\$ 2,009,215</u>	<u>\$ (2,009,216)</u>	<u>\$ 7,070,203</u>

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LEGAL AID SOCIETY OF CINCINNATI

**Supplemental Schedule of Activities
Year Ended December 31, 2018**

	Legal Services Corporation	PAI	Other	Total
Revenue, gains and other support				
Contributions	\$ -	\$ -	\$ 232,642	\$ 232,642
Donated services and materials	-	-	94,082	94,082
Ohio Legal Aid Fund	-	319,313	2,055,106	2,374,419
Grants from Legal Services Corporation	1,730,559	-	-	1,730,559
United Way	-	-	332,000	332,000
Other grants and contracts	-	-	2,914,113	2,914,113
Change in value of interest rate swap agreement	-	-	29,632	29,632
Other revenue	1,312	-	313,551	314,863
Total revenue, gains and other support	<u>1,731,871</u>	<u>319,313</u>	<u>5,971,126</u>	<u>8,022,310</u>
Expenses				
Salaries	1,110,404	228,791	3,615,242	4,954,437
Employee benefits	347,117	68,177	1,000,598	1,415,892
Payroll taxes	84,945	17,560	255,303	357,808
Contracted attorney fees	11,567	-	235,478	247,045
Contracted services and professional fees	6,486	-	381,678	388,164
Specific assistance to individuals	-	-	125,731	125,731
Litigation and advocacy	-	-	47,264	47,264
Supplies	-	-	131,680	131,680
Telephone	-	-	37,670	37,670
Postage and shipping	-	-	35,994	35,994
Occupancy	42,970	4,749	265,559	313,278
Training and travel	-	36	144,509	144,545
Subscriptions and publications	-	-	23,418	23,418
Membership dues	-	-	45,745	45,745
Insurance	8,298	-	27,608	35,906
Equipment rental and maintenance	-	-	38,581	38,581
Interest and investment fees	-	-	98,136	98,136
Depreciation and amortization	-	-	127,016	127,016
Other	-	-	49,422	49,422
Total expenses	<u>1,611,787</u>	<u>319,313</u>	<u>6,686,632</u>	<u>8,617,732</u>
Change in net assets	120,084	-	(715,506)	(595,422)
Net assets, beginning of year	-	-	7,665,625	7,665,625
Net assets, end of year	<u>\$ 120,084</u>	<u>\$ -</u>	<u>\$ 6,950,119</u>	<u>\$ 7,070,203</u>

Note to Schedule:

The Supplemental Schedule of Activities is required by Legal Services Corporation for all recipients receiving LSC funding to encourage private attorney involvement (PAI).

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018**

Federal Agency/ Pass Through Entity	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
Legal Services Corporation	9.436040	436040	\$ 1,730,559	\$ -
U.S. Department of Housing and Urban Development				
<i>Passed through City of Cincinnati</i>				
Community Development Block Grant	14.218	95x2019-206	183,828	-
Emergency Mortgage Assistance	14.218	95x2019-207	112,068	-
<i>Passed through City of Middletown</i>				
Community Development Block Grant	14.218	None	15,955	-
Total for CFDA 14.218			311,851	-
U.S. Department of Justice				
<i>Direct Award</i>				
Legal Assistance for Victims Grant Program	16.524	2018-CVJC-021	208,904	-
<i>Passed through Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2017-VOCA-43554665 & 2019-VOCA-132136298	156,026	-
<i>Direct Award</i>				
Crime Victim Assistance	16.582	2018-CVJC-021	26,717	-
<i>Passed through Office of Violence Against Women</i>				
Grant to Encourage Enforcement of Protection Orders	16.589	None	24,268	-
<i>Passed through Office of Violence Against Women</i>				
Rural Domestic Violence, Sexual Assault and Stalking Assistance Program	16.589	None	10,723	-
Total U.S. Department of Justice			426,638	-
U.S. Department of the Treasury				
<i>Direct Award</i>				
Low Income Taxpayer Clinics	21.008	18-LITC0208-03-00	85,000	-
U.S. Department of Health and Human Services				
<i>Passed through Ohio Department of Aging</i>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	None	6,334	-
Social Security Administration				
<i>Direct Award</i>				
SSA Benefits Planning Assistance and Outreach Program	96.008	1WIP15050414-02-00 & 1WIP15050414-01-00	171,151	-
			\$ 2,731,533	\$ -

LEGAL AID SOCIETY OF CINCINNATI

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018**

NOTE 1 BASIS OF PRESENTATION

The supplementary schedule of expenditures of federal awards includes the federal grant activity of the Society for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 INDIRECT COST RATE

The Society has not elected to use the 10% de minimis cost rate allowed under Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Legal Aid Society of Greater Cincinnati

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Legal Aid Society of Greater Cincinnati (the Society), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

April 26, 2019
Cincinnati, Ohio

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND LEGAL SERVICES CORPORATION'S AUDIT GUIDE AND COMPLIANCE SUPPLEMENT

Board of Trustees
Legal Aid Society of Greater Cincinnati

Report on Compliance for Each Major Federal Program

We have audited Legal Aid Society of Greater Cincinnati (the Society) compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Compliance Supplement for audits of LSC Recipients* that could have a direct and material effect on each of the Society's major federal programs for the year ended December 31, 2018. The Society's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Society's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit 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 *Compliance Supplement for Audit of LSC Recipients*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Society's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Society's compliance with those requirements.

Opinion on Each Major Program

In our opinion, Legal Aid Society of Greater Cincinnati complied, in all material respects, with the 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, 2018.

Report on Internal Control over Compliance

Management of the Society is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Society's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND LEGAL
SERVICES CORPORATION'S AUDIT GUIDE AND COMPLIANCE SUPPLEMENT
(CONTINUED)**

Report on Internal Control over Compliance (Continued)

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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. Accordingly, this report is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

April 26, 2019
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2018**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- 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 that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Programs or Clusters
9.436040	Legal Services Corporation

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

LEGAL AID SOCIETY OF CINCINNATI

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017**

Reference Number	Summary of Finding	Status
	No matters are reportable	