

# **Legal Aid Society of Cincinnati and Subsidiaries**

**LSC Recipient Number 436040**

**Consolidated Financial Statements with Supplementary Information  
December 31, 2019 and 2018, and  
Independent Auditors' Report**

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**  
December 31, 2019 and 2018

**Contents**

---

	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 20
Supplementary Information:	
Consolidating Statement of Financial Position	21
Consolidating Statement of Activities	22
Supplemental Schedule of Activities	23
Schedule of Expenditures of Federal Awards	24 - 25
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27
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	28 - 29
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Audit Findings	31

## 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 consolidated statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018 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 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this 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 21 through 23 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 29, 2020, 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 29, 2020  
Cincinnati, Ohio

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,833,136	\$ 1,189,090
Cash held in trust for clients	129,528	28,013
Investments	3,388,952	2,436,396
Grants and contracts receivable	772,549	462,630
Contributions receivable, net	383,634	802,675
Property and equipment, net	3,239,450	3,333,938
Other assets, net	27,599	26,907
Investments restricted by donors for endowment	667,658	667,658
	\$ 10,442,506	\$ 8,947,307
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 72,226	\$ 174,282
Accrued annual leave	321,421	318,861
Accrued expenses	112,773	92,267
Assets held for others	129,528	28,013
Refundable advance	97,303	-
Interest rate swap agreement	73,643	40,498
Note payable, bank	1,111,030	1,223,183
	1,917,924	1,877,104
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions		
Operating	1,536,052	406,515
Net investment in property and equipment	2,054,777	2,070,257
Board designated operating reserves	3,429,197	2,645,778
	7,020,026	5,122,550
Total without donor restrictions		
With donor restrictions	1,504,556	1,947,653
Total net assets	8,524,582	7,070,203
Total liabilities and net assets	\$ 10,442,506	\$ 8,947,307

See accompanying notes to consolidated financial statements

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Consolidated Statements of Activities Years Ended December 31, 2019 and 2018

	2019	2018
<b>Changes in net assets without donor restrictions</b>		
Revenue, gains and other support:		
Other grants and contracts	\$ 3,840,610	\$ 2,684,113
Ohio Legal Aid Fund	2,672,839	2,286,919
Grants from Legal Services Corporation	1,674,391	1,730,559
Rental income	257,700	253,336
Contributions	240,084	232,642
Other	116,488	128,998
Donated services and materials	76,484	94,082
Investment return, net	765,702	(67,471)
Net assets released from restrictions:		
United Way	332,000	415,000
Other	897,388	739,763
Total revenue, gains and other support	10,873,686	8,497,941
Expenses:		
Housing and consumer program	1,809,442	1,861,323
Employment and benefits program	1,133,752	1,120,771
Family and children program	3,827,577	3,623,673
General and civil program	466,502	637,209
Total program services	7,237,273	7,242,976
Management and general	1,306,256	1,011,836
Fundraising	137,035	99,563
Rental property	262,501	263,357
Total expenses	8,943,065	8,617,732
Change in net assets without donor restrictions from operations	1,930,621	(119,791)
Change in value of interest rate swap agreement	(33,145)	29,632
Change in net assets without donor restrictions	1,897,476	(90,159)
<b>Changes in net assets with donor restrictions</b>		
Ohio Legal Aid Fund	454,291	87,500
Grants	-	230,000
United Way of Greater Cincinnati	332,000	332,000
Net assets released from restrictions	(1,229,388)	(1,154,763)
Change in net assets with donor restrictions	(443,097)	(505,263)
<b>Change in net assets</b>	1,454,379	(595,422)
<b>Net assets, beginning of year</b>	7,070,203	7,665,625
<b>Net assets, end of year</b>	\$ 8,524,582	\$ 7,070,203

See accompanying notes to consolidated financial statements

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019**

	<b>Housing and Consumer Program</b>	<b>Employment and Benefits Program</b>	<b>Family and Children Program</b>	<b>General and Civil Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Rental Property</b>	<b>Total Expenses</b>
Salaries	\$ 1,035,078	\$ 730,026	\$ 2,270,579	\$ 304,481	\$ 732,004	\$ 79,362	\$ -	\$ 5,151,530
Employee benefits	298,357	251,187	659,316	84,247	164,164	30,951	-	1,488,222
Payroll taxes	63,886	55,485	166,339	28,953	53,430	-	-	368,093
<b>Total salaries and related expenses</b>	<b>1,397,321</b>	<b>1,036,698</b>	<b>3,096,234</b>	<b>417,681</b>	<b>949,598</b>	<b>110,313</b>	<b>-</b>	<b>7,007,845</b>
Contracted attorney fees	90,550	-	86,487	-	-	-	-	177,037
Contracted services and professional fees	92,490	691	337,711	319	70,046	189	9,325	510,771
Specific assistance to individuals	93,349	-	-	-	-	-	-	93,349
Litigation and advocacy	5,542	5,315	47,115	193	1	-	-	58,166
Supplies	6,074	4,809	9,811	1,296	85,973	15,958	66	123,987
Telephone	6,845	9,148	12,100	5,017	218	-	4,242	37,570
Postage and shipping	7,975	6,935	10,421	3,092	4,646	1,341	153	34,563
Occupancy	42,835	23,327	73,417	17,988	22,282	-	123,033	302,882
Training and travel	28,429	24,998	92,562	6,756	21,570	708	-	175,023
Subscriptions and publications	1,792	753	1,748	314	18,146	275	-	23,028
Membership dues	8,728	4,380	12,014	2,491	17,015	650	-	45,278
Insurance	2,214	2,496	3,983	1,092	20,897	-	5,000	35,682
Equipment rental and maintenance	575	477	883	242	33,656	-	-	35,833
Interest and bank fees	21	4	33	5	33,624	-	65,261	98,948
Depreciation and amortization	18,154	9,886	31,115	7,624	9,443	-	54,812	131,034
Other	6,548	3,835	11,943	2,392	19,141	7,601	609	52,069
	<b>\$ 1,809,442</b>	<b>\$ 1,133,752</b>	<b>\$ 3,827,577</b>	<b>\$ 466,502</b>	<b>\$ 1,306,256</b>	<b>\$ 137,035</b>	<b>\$ 262,501</b>	<b>\$ 8,943,065</b>

See accompanying notes to consolidated financial statements

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2018**

	<b>Housing and Consumer Program</b>	<b>Employment and Benefits Program</b>	<b>Family and Children Program</b>	<b>General and Civil Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Rental Property</b>	<b>Total Expenses</b>
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
<b>Total salaries and related expenses</b>	<b>1,554,881</b>	<b>1,005,419</b>	<b>2,873,299</b>	<b>578,001</b>	<b>631,896</b>	<b>84,641</b>	<b>-</b>	<b>6,728,137</b>
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
	<b>\$ 1,861,323</b>	<b>\$ 1,120,771</b>	<b>\$ 3,623,673</b>	<b>\$ 637,209</b>	<b>\$ 1,011,836</b>	<b>\$ 99,563</b>	<b>\$ 263,357</b>	<b>\$ 8,617,732</b>

See accompanying notes to consolidated financial statements

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,454,379	\$ (595,422)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	131,034	127,016
Net realized and unrealized (gains) losses on investments	(673,695)	153,509
Change in value of interest rate swap agreement	33,145	(29,632)
Receipts of client trust funds held in agency transactions	242,483	136,281
Payments of client trust funds held in agency transactions	(140,968)	(1,097,726)
Changes in:		
Grants and contracts receivable	(309,919)	147,910
Contributions receivable, net	419,041	474,779
Other assets, net	(692)	7,283
Accounts payable	(102,056)	(101,348)
Accrued annual leave	2,560	15,863
Other accrued liabilities	20,506	13,862
Refundable advance	97,303	-
Net cash provided by (used in) operating activities	1,173,121	(747,625)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(36,546)	(143,024)
Purchase of investments	(801,639)	(464,745)
Proceeds from sale of investments	522,778	649,286
Net cash provided by (used in) investing activities	(315,407)	41,517
<b>Cash flows used in financing activities</b>		
Principal payments on note payable	(112,153)	(106,673)
<b>Net change in cash, cash equivalents, and restricted cash</b>	745,561	(812,781)
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	1,217,103	2,029,884
<b>Cash, cash equivalents, and restricted cash, end of year</b>	\$ 1,962,664	\$ 1,217,103
<b>Supplemental cash flows information</b>		
Interest paid	\$ 98,948	\$ 98,136

See accompanying notes to consolidated financial statements

# LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

## 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 persons 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, 2019 and 2018, 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.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### 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)*

Cash, cash equivalents and restricted cash shown in the statement of cash flows are comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,833,136	\$ 1,189,090
Cash held in trust for clients	<u>129,528</u>	<u>28,013</u>
	<u>\$ 1,962,664</u>	<u>\$ 1,217,103</u>

##### *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 losses on 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 AND SUBSIDIARIES

### 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, 2019 and 2018, these conditional promises to give totaled approximately \$2,360,000 and \$1,530,000, respectively. 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 and Revenue Recognition*

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.

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. Funds received in excess of qualified expenses incurred are recognized as refundable advances (liability). Qualified expenses incurred in excess of grant funds received are recognized as grants and contracts receivable (asset).

The Society receives funding from the Legal Services Corporation (LSC) on an annual basis. The Society may carry over up to 10% (or more if a waiver is approved by LSC) of the LSC general operating grant annually. The Society is entitled to retain such LSC fund balances from one fiscal year to the next (45 CFR 1628.3(a)) and although the 2019 carryover of \$97,303 is reflected as a refundable advance on the statement of financial position, the Society intends that these funds will be used in future years by the Society in accordance with LSC guidelines.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

##### ***Revenue Concentrations***

At December 31, 2019 and 2018, 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 Aid Fund/Ohio Access to Justice Foundation (formerly Ohio Legal Assistance Foundation) that together comprised 41% and 48% of total revenue, gains and other support during 2019 and 2018, 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.

##### ***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***

During 2019 the Society adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using the modified prospective approach to all agreements that exist as of January 1, 2019 to the extent revenue has not yet been recognized. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. This updated 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. This update 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. The adoption of this ASU created a refundable advance for barriers of a conditional contribution that had not been met yet.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

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

##### *Effect of Adopting New Accounting Standard (Continued)*

The refundable advance is related to Legal Services Corporation funds and is presented on the statement of financial position for the current year in the amount of \$97,303.

##### *Recently Issued Accounting Standards*

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, 2021. The Society is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

##### *Subsequent Events*

The Society has evaluated subsequent events through April 29, 2020, 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:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,450,529	\$ 831,854
Grants and contracts receivable	731,712	352,630
Contributions receivable, net	<u>383,634</u>	<u>519,377</u>
	<u>\$ 2,565,875</u>	<u>\$ 1,703,861</u>

The Society's board designated operating reserves of \$3,429,197 and \$2,645,778 at December 31, 2019 and 2018, respectively, 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 AND SUBSIDIARIES**

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

**NOTE 3 INVESTMENTS**

Investments at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Common stocks	\$ 2,660,201	\$ 1,962,992
Equity mutual funds	218,911	175,255
Corporate debt securities	699,745	632,735
U.S. Government obligations	354,847	225,183
Mortgage backed securities	122,906	107,889
	<u>\$ 4,056,610</u>	<u>\$ 3,104,054</u>

**NOTE 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 393,634	\$ 807,675
Due in one to five years	-	5,000
Less allowance for uncollectible contributions	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 383,634</u>	<u>\$ 802,675</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 2019 and 2018, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2019</u>	<u>2018</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	4,094,152	4,063,469
Leasehold improvements	94,110	94,110
Office furniture and equipment	486,999	481,135
	6,471,988	6,435,441
Less accumulated depreciation	<u>(3,232,538)</u>	<u>(3,101,503)</u>
	<u>\$ 3,239,450</u>	<u>\$ 3,333,938</u>

Total depreciation expense was \$131,034 and \$127,016 for 2019 and 2018, respectively.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### 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 \$1,111,030 and \$1,223,183 at December 31, 2019 and 2018, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (3.45% at December 31, 2019). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

Future principal payments at December 31, 2019, were:

2020	\$ 118,407
2021	124,490
2022	130,885
2023	137,609
2024	144,678
Thereafter	<u>454,961</u>
	<u>\$ 1,111,030</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 \$1,117,236 and \$1,229,389 at December 31, 2019 and 2018, 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, 2019 and 2018, the Society's net assets without donor restriction is comprised of \$3,429,197 and \$2,645,778, respectively, of Board designated amounts for operating reserves.

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**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:

	2019	2018
For periods after December 31	\$ 382,608	\$ 484,113
Subject to expenditure for specified purpose:		
Legal Services Corporation fund carryover	-	120,084
Work and income assistance	-	15,000
Stabilizing Neighborhoods	247,500	175,000
Preventing Homelessness	71,250	-
Education	13,750	72,500
Substance Abuse	22,980	-
Veterans	23,810	-
Maternal Health/Child Help Partnerships	75,000	413,298
Donor-restricted endowment restricted in perpetuity	667,658	667,658
	\$ 1,504,556	\$ 1,947,653

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:

	2019	2018
Time restrictions expired	\$ 533,506	\$ 672,785
Purpose restrictions expired	695,882	481,978
	\$ 1,229,388	\$ 1,154,763

**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.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 9 ENDOWMENT (CONTINUED)

The Society has a donor-restricted endowment fund established through the “Help Make Things Happen” fundraising campaign. At December 31, 2019 and 2018, the amount of the donor-restricted endowment was \$667,658.

The changes in donor-restricted endowment net assets for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Endowment net assets, beginning of year	\$ 667,658	\$ 667,658
Contributions	-	-
Investment return, net	208,034	(27,972)
Appropriations for accumulation (expenditure)	(208,034)	27,972
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 \$349,000 and \$342,000 in 2019 and 2018, respectively.

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

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

**NOTE 11 OTHER GRANTS AND CONTRACTS**

Other grants and contracts during 2019 and 2018 consisted of the following:

	2019	2018
Community Development Block Grant		
Cincinnati-Tenant Representation	\$ 159,140	\$ 183,829
Cincinnati-Emergency Mortgage Assistance	95,394	112,068
Hamilton County-Emergency Mortgage Assistance	70,655	72,610
Hamilton County-Eviction Prevention	103,178	-
Middletown-Neighborhood Improvement	16,428	15,955
Opportunities for Ohioans with Disabilities	964	5,461
Guardian Ad Litem - Butler County	704,534	682,508
Social Security Administration/Work Incentives Program	178,331	171,151
Ohio Attorney General VOCA	264,868	156,025
Stabilizing Neighborhoods through Secure Housing	270,272	57,000
Department of Justice/Violence Against Women	194,139	208,904
Medical Legal Partnership	462,750	134,373
Team Child	110,004	110,004
Low Income Taxpayer Clinic	85,000	85,000
Metropolitan Sewer District-Sewer Back Up	27,876	25,362
Attorney/Staff Fellowships	157,947	176,716
Family Law Grants	176,573	5,818
Kids in School Rule HCJFS	462,194	326,745
Cincinnati HS Clearing Legal Hurdles	50,000	40,000
Other	250,363	114,584
	\$ 3,840,610	\$ 2,684,113

**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, 2019 was:

2020	\$ 232,865
2021	224,892
2022	197,050
2023	77,635
2024	75,638
Thereafter	144,444
	\$ 952,524

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### 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, 2019, were:

2020	\$	35,756
2021		27,404
2022		17,910
2023		11,940
		<hr/>
	\$	93,010
		<hr/>

Rent expense was approximately \$101,000 and \$103,000 in 2019 and 2018, 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 \$301,000 and \$341,000 for 2019 and 2018, 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 AND SUBSIDIARIES**

**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>2019</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>Assets</b>			
Common stocks	\$ 2,660,201	\$ 2,660,201	\$ -
Equity mutual funds	218,911	215,311	-
Corporate debt securities	699,745	-	699,745
U.S. Government obligations	354,847	-	354,847
Mortgage backed securities	122,906	-	122,906
Total investments	<u>\$ 4,056,610</u>	<u>\$ 2,875,512</u>	<u>\$ 1,177,498</u>
<b>Liabilities</b>			
Interest rate swap	<u>\$ 73,643</u>	<u>\$ -</u>	<u>\$ 73,643</u>
<u>2018</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>Assets</b>			
Common stocks	\$ 1,962,992	\$ 1,962,992	\$ -
Equity mutual funds	175,255	175,255	-
Corporate debt securities	632,735	-	632,735
U.S. Government obligations	225,183	-	225,183
Mortgage-backed securities	107,889	-	107,889
Total investments	<u>\$ 3,104,054</u>	<u>\$ 2,138,247</u>	<u>\$ 965,807</u>
<b>Liabilities</b>			
Interest rate swap	<u>\$ 40,498</u>	<u>\$ -</u>	<u>\$ 40,498</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.

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Notes to Consolidated Financial Statements (Continued)

#### NOTE 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### *Interest Rate Swap*

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

#### NOTE 16 RISKS AND UNCERTAINTIES

The Society's investments consist of securities outlined in Note 2. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2019 and 2018. However, the diversification of the Society's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Trustees with advice and assistance from investment professionals.

#### NOTE 17 SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business and financial disruption that will likely affect revenue in 2020 and 2021. Most significant will be the reduction of revenue from Interest of Lawyers Trust Accounts, received through the Legal Aid Fund of the Ohio Access to Justice Foundation, as a result of the Federal Reserve Board's action on interest rates in February of this year. The reduction will be mitigated, at least in the short run, by CARES Act appropriations to the Legal Services Corporation, for legal services related to the COVID-19 crisis. The exact financial impact and Duration of the COVID-19 disruption cannot be reasonably estimated at this time.

**SUPPLEMENTARY INFORMATION**

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Consolidating Statement of Financial Position December 31, 2019

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,300,881	\$ 324,205	\$ 208,050	\$ -	\$ 1,833,136
Cash held in trust for clients	126,823	2,705	-	-	129,528
Investments	3,388,952	-	-	-	3,388,952
Grants and contracts receivable	816,103	-	-	(43,554)	772,549
Contributions receivable, net	380,994	757,144	-	(754,504)	383,634
Amounts due from subsidiary	1,176,220	-	-	(1,176,220)	-
Property and equipment, net	24,951	-	3,214,499	-	3,239,450
Investment in subsidiary	2,080,362	-	-	(2,080,362)	-
Other assets, net	19,706	7,528	365	-	27,599
Investments restricted by donors for endowment	667,658	-	-	-	667,658
<b>Total assets</b>	<b>\$ 9,982,650</b>	<b>\$ 1,091,582</b>	<b>\$ 3,422,914</b>	<b>\$ (4,054,640)</b>	<b>\$10,442,506</b>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable	\$ 850,842	\$ 44,777	\$ 9,558	\$ (832,951)	\$ 72,226
Amounts due to parent	-	1,000,000	141,327	(1,141,327)	-
Accrued annual leave	330,539	(9,118)	-	-	321,421
Other accrued liabilities	42,398	53,218	17,157	-	112,773
Assets held for others	126,823	2,705	-	-	129,528
Refundable advance	97,303	-	-	-	97,303
Interest rate swap agreement	-	-	73,643	-	73,643
Note payable, bank	-	-	1,111,030	-	1,111,030
<b>Total liabilities</b>	<b>1,447,905</b>	<b>1,091,582</b>	<b>1,352,715</b>	<b>(1,974,278)</b>	<b>1,917,924</b>
<b>Net Assets</b>					
Without donor restrictions					
Operating	3,576,041	-	40,373	(2,080,362)	1,536,052
Net investment in property and equipment	24,951	-	2,029,826	-	2,054,777
Board designated operating reserves	3,429,197	-	-	-	3,429,197
<b>Total without donor restrictions</b>	<b>7,030,189</b>	<b>-</b>	<b>2,070,199</b>	<b>(2,080,362)</b>	<b>7,020,026</b>
With donor restrictions	1,504,556	-	-	-	1,504,556
<b>Total net assets</b>	<b>8,534,745</b>	<b>-</b>	<b>2,070,199</b>	<b>(2,080,362)</b>	<b>8,524,582</b>
<b>Total liabilities and net assets</b>	<b>\$ 9,982,650</b>	<b>\$ 1,091,582</b>	<b>\$ 3,422,914</b>	<b>\$ (4,054,640)</b>	<b>\$10,442,506</b>

See independent auditors' report

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Consolidating Statement of Activities Year Ended December 31, 2019

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
<b>Changes in net assets without donor restrictions</b>					
Revenue, gains and other support					
Other grants and contracts	\$ 3,840,610	\$ -	\$ -	\$ -	\$ 3,840,610
Ohio Legal Aid Fund	2,672,839	-	-	-	2,672,839
Grants from Legal Services Corporation	1,674,391	-	-	-	1,674,391
Rental income	-	-	570,909	(313,209)	257,700
Contributions	237,444	2,640	-	-	240,084
Other	142,556	67,047	1,875	(94,990)	116,488
Donated services and materials	45,736	30,748	-	-	76,484
Investment return, net	765,702	-	-	-	765,702
Gain on investment in subsidiary	71,146	-	-	(71,146)	-
Intercompany revenue	(4,537,519)	4,618,822	-	(81,303)	-
Net assets released from restrictions:					
United Way	332,000	-	-	-	332,000
Other	897,388	-	-	-	897,388
Total revenue, gains and other support	6,142,293	4,719,257	572,784	(560,648)	10,873,686
<b>Expenses</b>					
Housing and consumer program	807,651	1,069,447	51,482	(119,138)	1,809,442
Employment and benefits program	809,461	359,781	28,036	(63,526)	1,133,752
Family and children program	1,681,503	2,271,316	88,237	(213,479)	3,827,577
General and civil program	360,852	128,513	21,620	(44,483)	466,502
Total program services	3,659,467	3,829,057	189,375	(440,626)	7,237,273
Management and general	438,152	890,200	26,779	(48,875)	1,306,256
Fundraising	137,035	-	-	-	137,035
Rental property	-	-	262,501	-	262,501
Total expenses	4,234,654	4,719,257	478,655	(489,501)	8,943,065
Change in net assets without donor restrictions from operations	1,907,639	-	94,129	(71,147)	1,930,621
Change in value of interest rate swap agreement	-	-	(33,145)	-	(33,145)
Change in net assets without donor restrictions	1,907,639	-	60,984	(71,147)	1,897,476
<b>Changes in net assets with donor restrictions</b>					
Ohio Legal Aid Fund	454,291	-	-	-	454,291
Other grants and contracts	-	-	-	-	-
United Way of Greater Cincinnati	332,000	-	-	-	332,000
Net assets released from restrictions	(1,229,388)	-	-	-	(1,229,388)
Change in net assets with donor restrictions	(443,097)	-	-	-	(443,097)
<b>Change in net assets</b>	1,464,542	-	60,984	(71,147)	1,454,379
<b>Net assets, beginning of year</b>	7,070,203	-	2,009,215	(2,009,215)	7,070,203
<b>Net assets, end of year</b>	\$ 8,534,745	\$ -	\$ 2,070,199	\$ (2,080,362)	\$ 8,524,582

See independent auditors' report

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**Supplemental Schedule of Activities  
Year Ended December 31, 2019**

	<b>Legal Services Corporation</b>	<b>PAI</b>	<b>Other</b>	<b>Total</b>
<b>Revenue, gains and other support</b>				
Contributions	\$ -	\$ -	\$ 240,084	\$ 240,084
Donated services and materials	-	-	76,484	76,484
Ohio Legal Aid Fund	-	337,666	2,789,464	3,127,130
Grants from Legal Services Corporation	1,674,391	-	-	1,674,391
Refundable advance (LSC)	97,303	-	(97,303)	-
United Way	-	-	332,000	332,000
Other grants and contracts	-	-	3,840,610	3,840,610
Change in value of interest rate swap agreement	-	-	(33,145)	(33,145)
Other revenue	18,682	-	1,121,208	1,139,890
Total revenue, gains and other support	<u>1,790,376</u>	<u>337,666</u>	<u>8,269,402</u>	<u>10,397,444</u>
<b>Expenses</b>				
Salaries	1,274,261	232,242	3,645,027	5,151,530
Employee benefits	376,034	66,979	1,045,209	1,488,222
Payroll taxes	97,481	33,663	236,949	368,093
Contracted attorney fees	-	-	177,037	177,037
Contracted services and professional fees	15,588	-	495,183	510,771
Specific assistance to individuals	-	-	93,349	93,349
Litigation and advocacy	-	-	58,166	58,166
Supplies	-	-	123,987	123,987
Telephone	-	-	37,570	37,570
Postage and shipping	-	-	34,563	34,563
Occupancy	44,431	4,749	253,702	302,882
Training and travel	-	33	174,990	175,023
Subscriptions and publications	-	-	23,028	23,028
Membership dues	-	-	45,278	45,278
Insurance	5,362	-	30,320	35,682
Equipment rental and maintenance	-	-	35,833	35,833
Interest and investment fees	-	-	98,948	98,948
Depreciation and amortization	-	-	131,034	131,034
Other	-	-	52,069	52,069
Total expenses	<u>1,813,157</u>	<u>337,666</u>	<u>6,792,242</u>	<u>8,943,065</u>
<b>Change in LSC funds</b>	(22,781)	-	-	22,781
<b>LSC funds, beginning of year</b>	120,084	-	-	(120,084)
<b>LSC funds, end of year</b>	<u>97,303</u>	<u>-</u>	<u>-</u>	<u>(97,303)</u>
<b>Change in net assets</b>	-	-	1,477,160	1,454,379
<b>Net assets, beginning of year</b>	<u>-</u>	<u>-</u>	<u>7,070,203</u>	<u>7,070,203</u>
<b>Net assets, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,547,363</u>	<u>\$ 8,524,582</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 AND SUBSIDIARIES**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019**

Federal Agency/ Pass Through Entity	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
<b>Legal Services Corporation</b>	9.436040	436040	\$ 1,813,157	\$ -
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through City of Cincinnati</i>				
Community Development Block Grant	14.218	05X2020-252	145,805	-
Community Development Block Grant	14.218	05X2020-253	44,140	-
Community Development Block Grant	14.218	95x2019-206	13,334	-
Emergency Mortgage Assistance	14.218	95x2019-207	51,254	-
<i>Passed through Hamilton County</i>				
Community Development Block Grant - EMA	14.218	CDBGFY2018	21,377	-
Community Development Block Grant - Eviction Prevention	14.218	CDBGFY2019	152,457	-
<i>Passed through City of Middletown</i>				
Community Development Block Grant	14.218	None	16,427	-
Total for CFDA 14.218			<u>444,794</u>	<u>-</u>
<b>U.S. Department of Justice</b>				
<i>Direct Award</i>				
Legal Assistance for Victims Grant Program	16.524	2015-WL-AX-0057	194,139	-
<i>Passed through Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2019-VOCA-132136298 & 2020-VOCA-132924343	264,868	-
<i>Passed through Equal Justice Works</i>				
Crime Victim Assistance	16.582	2018-CVJC-021	52,947	-
<i>Passed through Ohio State Legal Services Association</i>				
Crime Victim Assistance	16.582	None	57,279	-
<i>Passed through Office of Violence Against Women</i>				
Grant to Encourage Enforcement of Protection Orders	16.590	None	3,615	-
<i>Passed through Office of Violence Against Women</i>				
Rural Domestic Violence, Sexual Assault and Stalking Assistance Program	16.589	None	2,842	-
Total U.S. Department of Justice			<u>575,690</u>	<u>-</u>
<b>U.S. Department of the Treasury</b>				
<i>Direct Award</i>				
Low Income Taxpayer Clinics	21.008	19-LITC0424-01-00	85,000	-
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through Ohio Department of Mental Health and Addition Services</i>				
Mental Health Block Grant	93.958	None	19,050	-
<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	-
<b>Social Security Administration</b>				
<i>Direct Award</i>				
SSA Benefits Planning Assistance and Outreach Program	96.008	5WIP15050414-04-00 & 6WIP1505414-05-01	178,331	-
			<u>\$ 3,122,356</u>	<u>\$ -</u>

## LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

### Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2019

#### **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, 2019. 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, 2019 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 29, 2020.

**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.



April 29, 2020  
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, 2019. 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, 2019.

**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.



April 29, 2020  
Cincinnati, Ohio

**LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES**

**Schedule of Findings and Questioned Costs  
Year Ended December 31, 2019**

**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 AND SUBSIDIARIES**

**Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2019**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable	