

Legal Aid Society of Cincinnati and Subsidiaries

LSC Recipient Number 436040

**Consolidated Financial Statements with Supplementary Information
December 31, 2020 and 2019, and
Independent Auditors' Report**

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES
December 31, 2020 and 2019

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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 consolidated statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019 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)**

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, 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 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 30, 2021 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 30, 2021
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,828,463	\$ 1,833,136
Cash held in trust for clients	177,017	129,528
Investments	3,958,375	3,388,952
Grants and contracts receivable	685,228	772,549
Contributions receivable, net	347,400	383,634
Property and equipment, net	3,282,390	3,239,450
Other assets, net	64,317	27,599
Investments restricted by donors for endowment	667,658	667,658
	\$ 12,010,848	\$ 10,442,506
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 68,742	\$ 72,226
Accrued annual leave	375,800	321,421
Accrued expenses	135,109	112,773
Assets held for others	177,015	129,528
Refundable advance	123,228	97,303
Interest rate swap agreement	107,147	73,643
Paycheck Protection Program (PPP) loan	950,000	-
Note payable, bank	993,116	1,111,030
	2,930,157	1,917,924
Net Assets		
Without donor restrictions		
Operating	1,578,066	1,536,052
Net investment in property and equipment	2,182,127	2,054,777
Board designated operating reserves	4,036,512	3,429,197
	7,796,705	7,020,026
With donor restrictions	1,283,986	1,504,556
	9,080,691	8,524,582
	\$ 12,010,848	\$ 10,442,506

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Consolidated Statements of Activities Years Ended December 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenue, gains and other support:		
Other grants and contracts	\$ 4,206,056	\$ 3,840,610
Ohio Access to Justice	1,734,456	2,672,839
Grants from Legal Services Corporation	2,129,432	1,674,391
Rental income	260,753	257,700
Contributions	406,451	240,084
Other	46,171	116,488
Donated services and materials	64,041	76,484
Investment return, net	599,180	765,702
Net assets released from restrictions:		
United Way	332,000	332,000
Other	476,347	897,388
Total revenue, gains and other support	10,254,887	10,873,686
Expenses:		
Housing and consumer program	2,288,268	1,809,442
Employment and benefits program	1,152,267	1,133,752
Family and children program	3,999,347	3,827,577
General and civil program	373,541	466,502
Total program services	7,813,423	7,237,273
Management and general	1,288,091	1,306,256
Fundraising	83,719	137,035
Rental property	259,471	262,501
Total expenses	9,444,704	8,943,065
Change in net assets without donor restrictions from operations	810,183	1,930,621
Change in value of interest rate swap agreement	(33,504)	(33,145)
Change in net assets without donor restrictions	776,679	1,897,476
Changes in net assets with donor restrictions		
Ohio Access to Justice	294,289	454,291
United Way of Greater Cincinnati	293,488	332,000
Net assets released from restrictions	(808,347)	(1,229,388)
Change in net assets with donor restrictions	(220,570)	(443,097)
Change in net assets	556,109	1,454,379
Net assets, beginning of year	8,524,582	7,070,203
Net assets, end of year	\$ 9,080,691	\$ 8,524,582

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	Housing and Consumer Program	Employment and Benefits Program	Family and Children Program	General and Civil Program	Management and General	Fundraising	Rental Property	Total Expenses
Salaries	\$ 1,192,548	\$ 739,773	\$ 2,491,869	\$ 223,474	\$ 755,102	\$ 44,994	\$ -	\$ 5,447,760
Employee benefits	397,555	258,003	723,835	91,561	119,251	12,933	-	1,603,138
Payroll taxes	86,833	53,189	175,087	21,194	40,004	3,442	-	379,749
Total salaries and related expenses	1,676,936	1,050,965	3,390,791	336,229	914,357	61,369	-	7,430,647
Contracted attorney fees	18,533	4	93,541	4	-	-	-	112,082
Contracted services and professional fees	244,498	4,854	218,511	1,529	48,922	-	9,400	527,714
Specific assistance to individuals	203,306	-	-	-	-	-	-	203,306
Litigation and advocacy	5,954	4,502	27,482	7	212	-	-	38,157
Supplies	12,355	8,321	20,240	3,521	126,988	9,973	206	181,604
Telephone	10,107	7,621	19,564	2,976	2,685	-	4,829	47,782
Postage and shipping	7,482	3,696	13,621	1,790	4,717	1,200	111	32,617
Occupancy	36,921	22,149	76,237	10,516	35,134	-	125,657	306,614
Training and travel	19,783	12,707	52,821	4,385	9,944	586	-	100,226
Subscriptions and publications	2,632	458	2,940	223	20,648	305	-	27,206
Membership dues	4,602	3,015	6,268	751	17,273	650	-	32,559
Insurance	5,567	5,366	12,595	2,309	9,157	-	4,999	39,993
Equipment rental and maintenance	336	65	558	68	31,911	-	-	32,938
Interest and bank fees	-	-	-	-	37,205	-	56,942	94,147
Depreciation and amortization	16,771	10,061	34,630	4,777	15,959	-	56,748	138,946
Other	22,485	18,483	29,548	4,456	12,979	9,636	579	98,166
	\$ 2,288,268	\$ 1,152,267	\$ 3,999,347	\$ 373,541	\$ 1,288,091	\$ 83,719	\$ 259,471	\$ 9,444,704

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

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

	Housing and Consumer Program	Employment and Benefits Program	Family and Children Program	General and Civil Program	Management and General	Fundraising	Rental Property	Total Expenses
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
Total salaries and related expenses	1,397,321	1,036,698	3,096,234	417,681	949,598	110,313	-	7,007,845
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
	\$ 1,809,442	\$ 1,133,752	\$ 3,827,577	\$ 466,502	\$ 1,306,256	\$ 137,035	\$ 262,501	\$ 8,943,065

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 556,109	\$ 1,454,379
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	138,946	131,034
Net realized and unrealized gains on investments	(507,344)	(673,695)
Change in value of interest rate swap agreement	33,504	33,145
Receipts of client trust funds held in agency transactions	342,140	242,483
Payments of client trust funds held in agency transactions	(294,653)	(140,968)
Changes in:		
Grants and contracts receivable	87,321	(309,919)
Contributions receivable, net	36,234	419,041
Other assets, net	(36,718)	(692)
Accounts payable	(3,484)	(102,056)
Accrued annual leave	54,379	2,560
Other accrued liabilities	22,336	20,506
Refundable advance	25,925	97,303
Net cash provided by (used in) operating activities	<u>454,695</u>	<u>1,173,121</u>
Cash flows from investing activities		
Purchase of property and equipment	(181,886)	(36,546)
Purchase of investments	(834,803)	(801,639)
Proceeds from sale of investments	772,724	522,778
Net cash provided by (used in) investing activities	<u>(243,965)</u>	<u>(315,407)</u>
Cash flows used in financing activities		
Principal payments on note payable	(117,914)	(112,153)
Proceeds from Paycheck Protection Program (PPP) loan	950,000	-
Net cash provided by (used in) financing activities	<u>832,086</u>	<u>(112,153)</u>
Net change in cash, cash equivalents, and restricted cash	1,042,816	745,561
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,962,664</u>	<u>1,217,103</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 3,005,480</u>	<u>\$ 1,962,664</u>
Supplemental cash flows information		
Interest paid	\$ 94,147	\$ 98,948

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,828,463	\$ 1,833,136
Cash held in trust for clients	<u>177,017</u>	<u>129,528</u>
	<u>\$ 3,005,480</u>	<u>\$ 1,962,664</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, 2020 and 2019, these conditional promises to give totaled approximately \$2,200,000 and \$2,360,000, 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. LSC funds received in excess of expenses incurred in 2020 and 2019 were \$123,228 and \$97,303, respectively, and is reflected as a refundable advance on the statement of financial position. The Society intends that these funds will be used in future years 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

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 38% and 41% of total revenue, gains and other support during 2020 and 2019, respectively. At December 31, 2020 and 2019, there were no funders that comprised a concentration of the total grants and contracts receivable balance.

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.

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, 2022. 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 30, 2021, which is the date the financial statements were available to be issued.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,569,265	\$ 1,450,529
Grants and contracts receivable	650,136	731,712
Contributions receivable, net	<u>347,400</u>	<u>383,634</u>
	<u>\$ 3,566,801</u>	<u>\$ 2,565,875</u>

The Society's board designated operating reserves of \$4,036,512 and \$3,429,197 at December 31, 2020 and 2019, respectively, is subject to an annual spending policy as described in Note 10. 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.

NOTE 3 INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Common stocks	\$ 3,010,092	\$ 2,660,201
Equity mutual funds	241,070	218,911
Corporate debt securities	665,107	699,745
U.S. Government obligations	538,163	354,847
Mortgage backed securities	<u>171,601</u>	<u>122,906</u>
	<u>\$ 4,626,033</u>	<u>\$ 4,056,610</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 357,400	\$ 393,634
Less allowance for uncollectible contributions	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 347,400</u>	<u>\$ 383,634</u>

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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 2020 and 2019, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2020</u>	<u>2019</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	4,226,533	4,094,152
Leasehold improvements	94,110	94,110
Office furniture and equipment	<u>536,504</u>	<u>486,999</u>
	6,653,874	6,471,988
Less accumulated depreciation	<u>(3,371,484)</u>	<u>(3,232,538)</u>
	<u>\$ 3,282,390</u>	<u>\$ 3,239,450</u>

Total depreciation expense was \$138,946 and \$131,034 for 2020 and 2019, respectively.

No property and equipment has been purchased with funds received from Legal Services Corporation.

NOTE 6 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On May 8, 2020, the Society qualified for and received a loan pursuant to the Paycheck Protection Program (the "Program"), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security's Act, from a qualified lender, for an aggregate principal amount of \$950,000 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.00% per annum, with the first nine months of principal and interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Program upon the Society's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Society. The Society elected to apply debt guidance pursuant to Accounting Standards Codification (ASC) 470 to recognize the PPP Loan. The balance of the loan was \$950,000 as of December 31, 2020. As of April 30, 2021, the Society has not applied for forgiveness from the SBA for the PPP Loan. However, the Society believes it will qualify for full forgiveness and plans to apply for forgiveness in 2021. The Society has made a policy election to classify the full amount of the loan as current debt, as included in Note 7.

NOTE 7 NOTE PAYABLE

The Society has an amortizing term loan with a bank that matures in November 2027. The balance of the loan was \$993,116 and \$1,111,030 at December 31, 2020 and 2019, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (1.90% at December 31, 2020). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 7 NOTE PAYABLE (CONTINUED)

Aggregate future annual maturities of the Payroll Protection Program (PPP) loan and note payable at December 31, 2020, are:

2021	\$ 1,074,490
2022	130,885
2023	137,609
2024	144,678
2025	152,111
Thereafter	<u>303,343</u>
	<u>\$ 1,943,116</u>

NOTE 8 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 \$999,322 and \$1,117,236 at December 31, 2020 and 2019, 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 the statement of activities.

NOTE 9 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, 2020 and 2019, the Society's net assets without donor restriction is comprised of \$4,036,512 and \$3,429,197, respectively, of Board designated amounts for operating reserves.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 9 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:

	2020	2019
For periods after December 31	\$ 322,038	\$ 382,608
Subject to expenditure for specified purpose:		
Stabilizing Neighborhoods	247,500	247,500
Veterans	23,810	23,810
Substance Abuse	22,980	22,980
Maternal Health/Child Help Partnerships	-	75,000
Preventing Homelessness	-	71,250
Education	-	13,750
Donor-restricted endowment restricted in perpetuity	667,658	667,658
	\$ 1,283,986	\$ 1,504,556

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:

	2020	2019
Time restrictions expired	\$ 354,058	\$ 533,506
Purpose restrictions expired	454,289	695,882
	\$ 808,347	\$ 1,229,388

NOTE 10 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, 2020 and 2019, the amount of the donor-restricted endowment was \$667,658.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 10 ENDOWMENT (CONTINUED)

The changes in donor-restricted endowment net assets for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 667,658	\$ 667,658
Contributions	-	-
Investment return, net	147,120	208,034
Appropriations for accumulation (expenditure)	<u>(147,120)</u>	<u>(208,034)</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 11 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 \$341,000 and \$349,000 in 2020 and 2019, respectively.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 12 OTHER GRANTS AND CONTRACTS

Other grants and contracts during 2020 and 2019 consisted of the following:

	2020	2019
Community Development Block Grant		
Cincinnati-Tenant Representation	\$ 127,206	\$ 159,140
Cincinnati-Emergency Mortgage Assistance	183,068	95,394
Hamilton County-Emergency Mortgage Assistance	98,991	70,655
Hamilton County-Eviction Prevention	205,997	103,178
Middletown-Neighborhood Improvement	13,977	16,428
Guardian Ad Litem - Butler County	704,798	704,534
Social Security Administration/Work Incentives Program	165,335	178,331
Ohio Attorney General VOCA	146,616	264,868
Stabilizing Neighborhoods through Secure Housing	356,950	270,272
Department of Justice/Violence Against Women	175,926	194,139
Medical Legal Partnership	375,250	462,750
Team Child	110,004	110,004
Low Income Taxpayer Clinic	79,723	85,000
Metropolitan Sewer District-Sewer Back Up	74,679	27,876
Attorney/Staff Fellowships	89,171	157,947
Family Law Grants	108,901	176,573
Kids in School Rule HCJFS	481,085	462,194
OVW Human Trafficking	31,205	-
Cincinnati HS Clearing Legal Hurdles	10,000	50,000
Opportunities for Ohioans with Disabilities	-	964
City CARES Act Relief Funding	389,000	-
Other	278,174	250,363
	\$ 4,206,056	\$ 3,840,610

NOTE 13 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, 2020 was:

2021	\$ 241,541
2022	198,678
2023	77,635
2024	75,638
2025	77,907
Thereafter	66,537
	\$ 737,936

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 14 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, 2020, were:

2021	\$	27,404
2022		17,910
2023		<u>11,940</u>
	\$	<u>57,254</u>

Rent expense was approximately \$98,000 and \$101,000 in 2020 and 2019, respectively.

NOTE 15 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 \$335,000 and \$301,000 for 2020 and 2019, respectively.

NOTE 16 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 16 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>2020</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
Common stocks	\$ 3,010,092	\$ 3,010,092	\$ -
Equity mutual funds	241,070	241,070	-
Corporate debt securities	665,107	-	665,107
U.S. Government obligations	538,163	-	538,163
Mortgage backed securities	171,601	-	171,601
Total investments	<u>\$ 4,626,033</u>	<u>\$ 3,251,162</u>	<u>\$ 1,374,871</u>
Liabilities			
Interest rate swap	<u>\$ 107,147</u>	<u>\$ -</u>	<u>\$ 107,147</u>
<u>2019</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
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>
Liabilities			
Interest rate swap	<u>\$ 73,643</u>	<u>\$ -</u>	<u>\$ 73,643</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 16 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 17 RISKS AND UNCERTAINTIES

The Society's investments consist of securities outlined in Note 3. 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, 2020 and 2019. 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 18 COVID-19 PANDEMIC

The COVID-19 outbreak in the United States has caused business and financial disruption that affected revenue in 2020. The most significant impact was 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. The reduction was mitigated, at least in the short run, by CARES Act appropriations from the Legal Services Corporation and other sources for legal services related to the COVID-19 crisis.

The COVID-19 pandemic remains a rapidly evolving situation. The extend of the impact of COVID-19 on the Society's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Society operates. The exact financial impact 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, 2020

	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	\$ 2,261,738	\$ 407,539	\$ 159,186	\$ -	\$ 2,828,463
Cash held in trust for clients	174,823	2,194	-	-	177,017
Investments	3,958,375	-	-	-	3,958,375
Grants and contracts receivable	692,076	-	-	(6,848)	685,228
Contributions receivable, net	347,400	-	-	-	347,400
Amounts due from subsidiary	1,127,044	668,894	-	(1,795,938)	-
Property and equipment, net	60,423	-	3,221,967	-	3,282,390
Investment in subsidiary	2,132,729	-	-	(2,132,729)	-
Other assets, net	52,173	10,909	1,235	-	64,317
Investments restricted by donors for endowment	667,658	-	-	-	667,658
Total assets	\$ 11,474,439	\$ 1,089,536	\$ 3,382,388	\$ (3,935,515)	\$ 12,010,848
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 720,239	\$ 31,585	\$ 11,948	\$ (695,030)	\$ 68,742
Amounts due to parent	-	1,000,006	107,750	(1,107,756)	-
Accrued annual leave	373,264	2,536	-	-	375,800
Other accrued liabilities	50,239	54,685	30,185	-	135,109
Assets held for others	174,822	2,193	-	-	177,015
Refundable advance	123,228	-	-	-	123,228
Interest rate swap agreement	-	-	107,147	-	107,147
Paycheck Protection Program (PPP) loan	950,000	-	-	-	950,000
Note payable, bank	-	-	993,116	-	993,116
Total liabilities	2,391,792	1,091,005	1,250,146	(1,802,786)	2,930,157
Net Assets					
Without donor restrictions					
Operating	3,701,726	(1,469)	10,538	(2,132,729)	1,578,066
Net investment in property and equipment	60,423	-	2,121,704	-	2,182,127
Board designated operating reserves	4,036,512	-	-	-	4,036,512
Total without donor restrictions	7,798,661	(1,469)	2,132,242	(2,132,729)	7,796,705
With donor restrictions	1,283,986	-	-	-	1,283,986
Total net assets	9,082,647	(1,469)	2,132,242	(2,132,729)	9,080,691
Total liabilities and net assets	\$ 11,474,439	\$ 1,089,536	\$ 3,382,388	\$ (3,935,515)	\$ 12,010,848

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended December 31, 2020

	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	\$ 4,206,056	\$ -	\$ -	\$ -	\$ 4,206,056
Ohio Access to Justice	1,734,456	-	-	-	1,734,456
Grants from Legal Services Corporation	2,129,432	-	-	-	2,129,432
Rental income	-	-	573,962	(313,209)	260,753
Contributions	406,451	-	-	-	406,451
Other	63,959	78,645	1,500	(97,933)	46,171
Donated services and materials	64,041	-	-	-	64,041
Investment return, net	600,524	-	-	(1,344)	599,180
Gain on investment in subsidiary	52,367	-	-	(52,367)	-
Intercompany revenue	(3,997,670)	4,078,973	-	(81,303)	-
Net assets released from restrictions:					
United Way	332,000	-	-	-	332,000
Other	476,347	-	-	-	476,347
Total revenue, gains and other support	<u>6,067,963</u>	<u>4,157,618</u>	<u>575,462</u>	<u>(546,156)</u>	<u>10,254,887</u>
Expenses					
Housing and consumer program	1,462,467	889,020	44,703	(107,922)	2,288,268
Employment and benefits program	979,737	215,801	26,817	(70,088)	1,152,267
Family and children program	1,677,555	2,439,056	92,306	(209,570)	3,999,347
General and civil program	274,081	114,995	12,733	(28,268)	373,541
Total program services	<u>4,393,840</u>	<u>3,658,872</u>	<u>176,559</u>	<u>(415,848)</u>	<u>7,813,423</u>
Management and general	821,932	500,215	42,540	(76,596)	1,288,091
Fundraising	83,719	-	-	-	83,719
Rental property	-	-	260,816	(1,345)	259,471
Total expenses	<u>5,299,491</u>	<u>4,159,087</u>	<u>479,915</u>	<u>(493,789)</u>	<u>9,444,704</u>
Change in net assets without donor restrictions from operations	768,472	(1,469)	95,547	(52,367)	810,183
Change in value of interest rate swap agreement	-	-	(33,504)	-	(33,504)
Change in net assets without donor restrictions	<u>768,472</u>	<u>(1,469)</u>	<u>62,043</u>	<u>(52,367)</u>	<u>776,679</u>
Changes in net assets with donor restrictions					
Ohio Access to Justice	294,289	-	-	-	294,289
United Way of Greater Cincinnati	293,488	-	-	-	293,488
Net assets released from restrictions	(808,347)	-	-	-	(808,347)
Change in net assets with donor restrictions	<u>(220,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,570)</u>
Change in net assets	547,902	(1,469)	62,043	(52,367)	556,109
Net assets, beginning of year	8,534,745	-	2,070,199	(2,080,362)	8,524,582
Net assets, end of year	<u>\$ 9,082,647</u>	<u>\$ (1,469)</u>	<u>\$ 2,132,242</u>	<u>\$ (2,132,729)</u>	<u>\$ 9,080,691</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Supplemental Schedule of Activities
Year Ended December 31, 2020**

	Legal Services Corporation	PAI	Other	Total
Revenue, gains and other support				
Contributions	\$ -	\$ -	\$ 406,451	\$ 406,451
Donated services and materials	-	-	64,041	64,041
Ohio Access to Justice	-	384,463	1,644,282	2,028,745
Grants from Legal Services Corporation	2,129,432	-	-	2,129,432
Refundable advances (LSC)	25,925	-	(25,925)	-
United Way	-	-	293,488	293,488
Other grants and contracts	-	-	4,206,056	4,206,056
Change in value of interest rate swap agreement	-	-	(33,504)	(33,504)
Other revenue	-	-	906,104	906,104
Total revenue, gains and other support	<u>2,155,357</u>	<u>384,463</u>	<u>7,460,993</u>	<u>10,000,813</u>
Expenses				
Salaries	1,531,888	226,837	3,689,035	5,447,760
Employee benefits	409,916	137,897	1,055,325	1,603,138
Payroll taxes	100,742	14,981	264,026	379,749
Contracted attorney fees	-	-	112,082	112,082
Contracted services and professional fees	13,743	-	513,971	527,714
Specific assistance to individuals	-	-	203,306	203,306
Litigation and advocacy	-	-	38,157	38,157
Supplies	17,645	-	163,959	181,604
Telephone	-	-	47,782	47,782
Postage and shipping	-	-	32,617	32,617
Occupancy	55,300	4,748	246,566	306,614
Training and travel	198	-	100,028	100,226
Subscriptions and publications	-	-	27,206	27,206
Membership dues	-	-	32,559	32,559
Insurance	-	-	39,993	39,993
Equipment rental and maintenance	-	-	32,938	32,938
Interest and investment fees	-	-	94,147	94,147
Depreciation and amortization	-	-	138,946	138,946
Other	-	-	98,166	98,166
Total expenses	<u>2,129,432</u>	<u>384,463</u>	<u>6,930,809</u>	<u>9,444,704</u>
Change in net assets	25,925 *	-	530,184	556,109
Net assets, beginning of year	97,303 *	-	8,427,279	8,524,582
Net assets, end of year	<u>\$ 123,228 *</u>	<u>\$ -</u>	<u>\$ 8,957,463</u>	<u>\$ 9,080,691</u>

* LSC Carryforward balances

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, 2020**

Federal Agency/ Pass Through Entity	Federal CFDA Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
Legal Services Corporation				
Legal Aid Award	9.436040	436040	\$ 1,875,063	\$ -
LSC Carryover	9.436040	436040	97,303	-
COVID-19 Response Grant	9.436040	CV20042	141,301	-
Telework Capacity Building Grant	9.436040	CVT20038	15,765	-
Total for CFDA 9.436040 / Legal Services Corporation			<u>2,129,432</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<i>Passed through City of Cincinnati</i>				
Community Development Block Grant	14.218	05X2020-252	69,195	-
Community Development Block Grant	14.218	05X2020-253	89,275	-
Community Development Block Grant	14.218	15x2021-225	58,011	-
Emergency Mortgage Assistance	14.218	15x2021-226	93,793	-
<i>Passed through Hamilton County</i>				
Community Development Block Grant - EMA	14.218	CDBGFY2019	25,721	-
Community Development Block Grant - Eviction Prevention	14.218	CDBGFY2019	120,541	82,121
COVID-19 Community Development Block Grant - EMA	14.218	CDBGFY2020	73,269	-
COVID-19 Community Development Block Grant - Eviction Prevention	14.218	CDBGFY2020	85,457	34,502
<i>Passed through City of Middletown</i>				
Community Development Block Grant	14.218	None	10,976	-
Total for CFDA 14.218 / CDBG Cluster			<u>626,238</u>	<u>116,623</u>
U.S. Department of Justice				
<i>Direct Award</i> - Legal Assistance for Victims Grant Program	16.524	2015-WL-AX-0057	175,926	29,513
<i>Passed through Ohio Attorney General</i>				
Crime Victim Assistance	16.575	2020-VOCA-132924343 & 2021-VOCA-133899421	146,616	-
<i>Passed through Equal Justice Works</i>				
Crime Victim Assistance	16.582	2018-CVJC-021	24,171	-
<i>Passed through Ohio State Legal Services Association</i>				
Crime Victim Assistance	16.582	None	86,886	-
<i>Passed through Office of Violence Against Women</i>				
Hamilton County Family Justice Center	16.590	2016-WE-AX-0026	5,061	-
<i>Passed through Office of Violence Against Women</i>				
Direct Services to Support Victims of Human Trafficking Program /Specialized Services	16.32	2019-VT-BX-0052	31,205	-
Total U.S. Department of Justice			<u>469,865</u>	<u>29,513</u>
U.S. Department of the Treasury				
<i>Direct Award</i> - Low Income Taxpayer Clinics	21.008	20-LITC0424-02-01	79,723	-
<i>Passed through the State of Ohio</i>				
COVID-19 CARES Act Non-Profit Relief Act	21.019	None	53,950	-
COVID-19 Coronavirus Relief Fund	21.019	PSC 101 15x0068	389,000	-
Total U.S. Department of the Treasury			<u>522,673</u>	<u>-</u>
U.S. Department of Health and Human Services				
<i>Passed through Ohio Department of Mental Health and Addiction Services</i>				
Mental Health Block Grant	93.958	2000242 & 2100241	19,300	-
<i>Passed through Ohio Department of Aging</i>				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers / Aging Cluster	93.044	None	4,863	-
Total U.S. Department of Health and Human Services			<u>24,163</u>	<u>-</u>
Social Security Administration				
<i>Direct Award</i> - SSA Benefits Planning Assistance and Outreach Program	96.008	6WIP15050414-05-01 & 6WIP15050414-05-02	165,335	-
Total Expenditures of Federal Awards			<u>\$ 3,937,706</u>	<u>\$ 146,136</u>

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2020

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, 2020. 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, 2020 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 30, 2021.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 30, 2021
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, 2020. 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, 2020.

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 30, 2021
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

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, 2020**

Reference Number	Summary of Finding	Status
	No matters are reportable	