

Legal Aid Society of Cincinnati and Subsidiaries
LSC Recipient Number 436040

Consolidated Financial Statements with Supplementary Information
December 31, 2021 and 2020, and
Independent Auditors' Report

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES
December 31, 2021 and 2020

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Legal Aid Society of Cincinnati (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legal Aid Society of Cincinnati as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Society of Cincinnati's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Legal Aid Society of Cincinnati's ability to continue as a going concern for a reasonable period of time.
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we audited during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 financial statements. Additionally, the consolidating statement of financial position, consolidating statement of activities and the supplemental schedule of activities shown on pages 22 through 24 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Independent Auditors' Report
(Continued)**

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2022 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.

Barnes, Dennig & Co., Ltd.

April 26, 2022
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Consolidated Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,221,801	\$ 2,828,463
Cash held in trust for clients	125,754	177,017
Investments	4,722,413	3,958,375
Grants and contracts receivable	874,515	685,228
Contributions receivable, net	200,830	347,400
Property and equipment, net	3,247,685	3,282,390
Other assets, net	150,356	64,317
Investments restricted by donors for endowment	667,658	667,658
	\$ 12,211,012	\$ 12,010,848
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 153,286	\$ 68,742
Accrued annual leave	416,646	375,800
Accrued expenses	121,551	135,109
Assets held for others	125,754	177,015
Refundable advance	150,809	123,228
Interest rate swap agreement	58,235	107,147
Paycheck Protection Program (PPP) loan	-	950,000
Note payable, bank	869,145	993,116
	1,895,426	2,930,157
Total liabilities		
Net Assets		
Without donor restrictions		
Operating	2,139,404	1,578,066
Net investment in property and equipment	2,320,305	2,182,127
Board designated operating reserves	4,772,658	4,036,512
	9,232,367	7,796,705
Total without donor restrictions		
With donor restrictions		
	1,083,219	1,283,986
Total net assets	10,315,586	9,080,691
Total liabilities and net assets	\$ 12,211,012	\$ 12,010,848

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Consolidated Statements of Activities Years Ended December 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions		
Revenue, gains and other support:		
Other grants and contracts	\$ 4,617,896	\$ 4,206,056
Ohio Access to Justice	1,648,079	1,734,456
Grants from Legal Services Corporation	1,953,644	2,129,432
Rental income	264,196	260,753
Contributions	350,997	406,451
Forgiveness of Paycheck Protection Program (PPP) loan	950,000	-
Other	56,611	46,171
Donated services and materials	143,673	64,041
Investment return, net	735,482	599,180
Net assets released from restrictions:		
United Way	293,488	332,000
Other	305,390	476,347
Total revenue, gains and other support	11,319,456	10,254,887
Expenses:		
Housing and consumer program	2,258,525	2,288,268
Employment and benefits program	1,339,866	1,152,267
Family and children program	3,817,368	3,999,347
General and civil program	268,735	373,541
Total program services	7,684,494	7,813,423
Management and general	1,830,160	1,288,091
Fundraising	149,840	83,719
Rental property	268,212	259,471
Total expenses	9,932,706	9,444,704
Change in net assets without donor restrictions from operations	1,386,750	810,183
Change in value of interest rate swap agreement	48,912	(33,504)
Change in net assets without donor restrictions	1,435,662	776,679
Changes in net assets with donor restrictions		
Ohio Access to Justice	249,873	294,289
United Way of Greater Cincinnati	148,238	293,488
Net assets released from restrictions	(598,878)	(808,347)
Change in net assets with donor restrictions	(200,767)	(220,570)
Change in net assets	1,234,895	556,109
Net assets, beginning of year	9,080,691	8,524,582
Net assets, end of year	\$ 10,315,586	\$ 9,080,691

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2021**

	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	\$ 1,347,585	\$ 888,691	\$ 2,236,394	\$ 175,975	\$ 974,441	\$ 83,683	\$ -	\$ 5,706,769
Employee benefits	393,375	257,374	668,973	49,605	308,557	24,762	-	1,702,646
Payroll taxes	96,096	64,255	161,612	11,766	75,593	6,402	-	415,724
Total salaries and related expenses	1,837,056	1,210,320	3,066,979	237,346	1,358,591	114,847	-	7,825,139
Contracted attorney fees	27,188	2,587	131,992	-	-	-	-	161,767
Contracted services and professional fees	29,015	5,162	324,169	1,214	51,222	-	9,400	420,182
Specific assistance to individuals	186,138	-	-	-	-	-	-	186,138
Litigation and advocacy	10,309	11,071	46,523	7	539	-	-	68,449
Supplies	5,793	2,053	3,226	441	119,605	15,771	-	146,889
Telephone	14,140	13,241	14,610	2,859	13,261	-	4,566	62,677
Postage and shipping	10,594	2,172	13,455	2,296	13,174	3,755	134	45,580
Occupancy	33,055	19,602	59,457	3,916	52,814	-	118,757	287,601
Training and travel	17,946	9,353	42,718	3,382	46,986	1,558	-	121,943
Subscriptions and publications	1,663	287	1,171	52	20,287	145	-	23,605
Membership dues	8,787	4,555	11,016	1,698	17,598	1,240	-	44,894
Insurance	8,862	8,009	12,371	229	6,877	-	5,000	41,348
Equipment rental and maintenance	336	72	552	54	25,044	-	-	26,058
Interest and bank fees	-	-	-	-	43,701	-	50,416	94,117
Depreciation and amortization	18,504	10,973	33,284	2,193	29,565	-	63,837	158,356
Other	49,139	40,409	55,845	13,048	30,896	12,524	16,102	217,963
	\$ 2,258,525	\$ 1,339,866	\$ 3,817,368	\$ 268,735	\$ 1,830,160	\$ 149,840	\$ 268,212	\$ 9,932,706

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 Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,234,895	\$ 556,109
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	158,356	138,946
Net realized and unrealized gains on investments	(636,630)	(507,344)
Change in value of interest rate swap agreement	(48,912)	33,504
Receipts of client trust funds held in agency transactions	295,217	342,140
Payments of client trust funds held in agency transactions	(346,478)	(294,653)
Forgiveness of Paycheck Protection Program (PPP) loan	(950,000)	-
Changes in:		
Grants and contracts receivable	(189,287)	87,321
Contributions receivable, net	146,570	36,234
Other assets, net	(86,039)	(36,718)
Accounts payable	84,544	(3,484)
Accrued annual leave	40,846	54,379
Other accrued liabilities	(13,558)	22,336
Refundable advance	27,581	25,925
Net cash provided by (used in) operating activities	(282,895)	454,695
Cash flows from investing activities		
Purchase of property and equipment	(123,651)	(181,886)
Purchase of investments	(688,119)	(834,803)
Proceeds from sale of investments	560,711	772,724
Net cash used in investing activities	(251,059)	(243,965)
Cash flows used in financing activities		
Principal payments on note payable	(123,971)	(117,914)
Proceeds from Paycheck Protection Program (PPP) loan	-	950,000
Net cash provided by (used in) financing activities	(123,971)	832,086
Net change in cash, cash equivalents, and restricted cash	(657,925)	1,042,816
Cash, cash equivalents, and restricted cash, beginning of year	3,005,480	1,962,664
Cash, cash equivalents, and restricted cash, end of year	\$ 2,347,555	\$ 3,005,480
Supplemental cash flows information		
Interest paid	\$ 94,117	\$ 94,147

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,221,801	\$ 2,828,463
Cash held in trust for clients	<u>125,754</u>	<u>177,017</u>
	<u>\$ 2,347,555</u>	<u>\$ 3,005,480</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, 2021 and 2020, these conditional promises to give totaled approximately \$1,710,000 and \$2,200,000, 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 2021 and 2020 were \$150,809 and \$123,228, 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 32% and 38% of total revenue, gains and other support during 2021 and 2020, respectively. At December 31, 2021, the City of Cincinnati Tenant Representation Project comprised 22% of the total grants and contracts receivable balance. At December 31, 2020, there were no funders that comprised a concentration to 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.

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)

Recently Issued Accounting Standards (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. This standard will be effective for the Society's year ending December 31, 2022.

Recently Issued Accounting Standards (Continued)

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

Subsequent Events

The Society has evaluated subsequent events through April 26, 2022, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,007,020	\$ 2,569,265
Grants and contracts receivable	839,423	650,136
Contributions receivable, net	<u>200,830</u>	<u>347,400</u>
	<u>\$ 3,047,273</u>	<u>\$ 3,566,801</u>

The Society's board designated operating reserves of \$4,772,658 and \$4,036,512 at December 31, 2021 and 2020, 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.

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>2021</u>	<u>2020</u>
Common stocks	\$ 3,597,428	\$ 3,010,092
Equity mutual funds	291,933	241,070
Corporate debt securities	874,316	665,107
U.S. Government obligations	524,928	538,163
Mortgage backed securities	101,466	171,601
	<u>\$ 5,390,071</u>	<u>\$ 4,626,033</u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 213,880	\$ 357,400
Less allowance for uncollectible contributions	<u>(13,050)</u>	<u>(10,000)</u>
	<u>\$ 200,830</u>	<u>\$ 347,400</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 2021 and 2020, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2021</u>	<u>2020</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	4,333,097	4,226,533
Leasehold improvements	111,197	94,110
Office furniture and equipment	536,504	536,504
	6,777,525	6,653,874
Less accumulated depreciation	<u>(3,529,840)</u>	<u>(3,371,484)</u>
	<u>\$ 3,247,685</u>	<u>\$ 3,282,390</u>

Total depreciation expense was \$158,356 and \$138,946 for 2021 and 2020, respectively.

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

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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 470 to recognize the PPP Loan as debt until the loan is legally forgiven and made a policy election to classify the full amount of the PPP Loan as long-term debt. On August 25, 2021, the Society received notification from the PPP Lender that the loan was fully forgiven, at which point the Society recognized a gain on extinguishment of debt in the statement of activities. The outstanding balance for this note payable was \$-0- and \$950,000 at December 31, 2021 and 2020, respectively.

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 \$869,145 and \$993,116 at December 31, 2021 and 2020, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (1.85% at December 31, 2021). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

Aggregate future annual maturities of the note payable at December 31, 2021, are:

2021	\$	130,885
2022		137,609
2023		144,678
2024		152,111
2025		159,916
Thereafter		143,946
		<u>869,145</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 \$875,351 and \$999,322 at December 31, 2021 and 2020, 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.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2021 and 2020, the Society's net assets without donor restriction is comprised of \$4,772,658 and \$4,036,512, respectively, of Board designated amounts for operating reserves.

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:

	2021	2020
For periods after December 31	\$ 165,688	\$ 322,038
Subject to expenditure for specified purpose:		
Stabilizing Neighborhoods	186,000	247,500
Veterans	23,810	23,810
Substance Abuse	22,980	22,980
Technology	8,750	-
Racial Justice	8,333	-
Donor-restricted endowment restricted in perpetuity	667,658	667,658
	\$ 1,083,219	\$ 1,283,986

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:

	2021	2020
Time restrictions expired	\$ 304,588	\$ 354,058
Purpose restrictions expired	294,290	454,289
	\$ 598,878	\$ 808,347

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2021 and 2020, the amount of the donor-restricted endowment was \$667,658.

The changes in donor-restricted endowment net assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 667,658	\$ 667,658
Contributions	-	-
Investment return, net	181,290	147,120
Appropriations for accumulation (expenditure)	<u>(181,290)</u>	<u>(147,120)</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.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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 \$311,000 and \$341,000 in 2021 and 2020, respectively.

NOTE 12 OTHER GRANTS AND CONTRACTS

Other grants and contracts during 2021 and 2020 consisted of the following:

	2021	2020
Community Development Block Grant		
Cincinnati-Tenant Representation	\$ 360,579	\$ 127,206
Cincinnati-Emergency Mortgage Assistance	220,484	183,068
Hamilton County-Emergency Mortgage Assistance	95,679	98,991
Hamilton County-Eviction Prevention	130,684	205,997
Middletown-Neighborhood Improvement	13,876	13,977
Guardian Ad Litem - Butler County	689,800	704,798
Social Security Administration/Work Incentives Program	165,716	165,335
Ohio Attorney General VOCA	60,730	146,616
Stabilizing Neighborhoods through Secure Housing	427,000	356,950
Department of Justice/Violence Against Women	241,500	175,926
Medical Legal Partnership	473,750	375,250
Team Child	110,004	110,004
Low Income Taxpayer Clinic	90,000	79,723
Metropolitan Sewer District-Sewer Back Up	40,095	74,679
Attorney/Staff Fellowships	95,000	89,171
Family Law Grants	82,597	108,901
Kids in School Rule HCJFS	523,787	481,085
OVW Human Trafficking	69,759	31,205
Cincinnati HS Clearing Legal Hurdles	66,667	10,000
Hamilton County Community Action Agency	438,393	-
City CARES Act Relief Funding	-	389,000
Other	221,796	278,174
	\$ 4,617,896	\$ 4,206,056

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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, 2021 was:

2022	\$	198,678
2023		77,635
2024		75,638
2025		77,907
2026		66,537
		<u>66,537</u>
	\$	<u>496,395</u>

NOTE 14 OPERATING LEASES

Non-cancellable operating leases for certain office space and office equipment expire in various years through 2026. One lease contains a renewable option for an additional five-year period. Future minimum lease payments at December 31, 2021, were:

2022	\$	85,959
2023		84,503
2024		11,443
2025		8,961
2026		1,372
		<u>1,372</u>
	\$	<u>192,238</u>

Rent expense was approximately \$93,000 and \$98,000 in 2021 and 2020, 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 \$365,000 and \$335,000 for 2021 and 2020, respectively.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

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

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>2021</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Assets			
Common stocks	\$ 3,597,428	\$ 3,597,428	\$ -
Equity mutual funds	291,933	291,933	-
Corporate debt securities	874,316	-	874,316
U.S. Government obligations	524,928	-	524,928
Mortgage backed securities	101,466	-	101,466
Total investments	<u>\$ 5,390,071</u>	<u>\$ 3,889,361</u>	<u>\$ 1,500,710</u>
Liabilities			
Interest rate swap	<u>\$ 58,235</u>	<u>\$ -</u>	<u>\$ 58,235</u>
<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>

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.

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 16 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investments

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

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

Interest Rate Swap

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

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, 2021 and 2020. 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 extent 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, 2021

	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	\$ 1,797,493	\$ 298,522	\$ 125,786	\$ -	\$ 2,221,801
Cash held in trust for clients	116,164	9,590	-	-	125,754
Investments	4,722,413	-	-	-	4,722,413
Grants and contracts receivable	874,515	-	-	-	874,515
Contributions receivable, net	200,830	-	-	-	200,830
Amounts due from subsidiary	1,128,724	785,060	-	(1,913,784)	-
Property and equipment, net	58,670	-	3,189,015	-	3,247,685
Investment in subsidiary	2,275,385	-	-	(2,275,385)	-
Other assets, net	99,909	49,497	950	-	150,356
Investments restricted by donors for endowment	667,658	-	-	-	667,658
Total assets	\$ 11,941,761	\$ 1,142,669	\$ 3,315,751	\$ (4,189,169)	\$ 12,211,012
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 916,110	\$ 18,278	\$ 3,958	\$ (785,060)	\$ 153,286
Amounts due to parent	-	1,049,069	79,655	(1,128,724)	-
Accrued annual leave	396,880	19,766	-	-	416,646
Other accrued liabilities	45,725	45,966	29,860	-	121,551
Assets held for others	116,164	9,590	-	-	125,754
Refundable advance	150,809	-	-	-	150,809
Interest rate swap agreement	-	-	58,235	-	58,235
Note payable, bank	-	-	869,145	-	869,145
Total liabilities	1,625,688	1,142,669	1,040,853	(1,913,784)	1,895,426
Net Assets					
Without donor restrictions					
Operating	4,401,526	-	13,263	(2,275,385)	2,139,404
Net investment in property and equipment	58,670	-	2,261,635	-	2,320,305
Board designated operating reserves	4,772,658	-	-	-	4,772,658
Total without donor restrictions	9,232,854	-	2,274,898	(2,275,385)	9,232,367
With donor restrictions	1,083,219	-	-	-	1,083,219
Total net assets	10,316,073	-	2,274,898	(2,275,385)	10,315,586
Total liabilities and net assets	\$ 11,941,761	\$ 1,142,669	\$ 3,315,751	\$ (4,189,169)	\$ 12,211,012

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended December 31, 2021

	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	\$ 4,617,896	\$ -	\$ -	\$ -	\$ 4,617,896
Ohio Access to Justice	1,648,079	-	-	-	1,648,079
Grants from Legal Services Corporation	1,953,644	-	-	-	1,953,644
Rental income	-	-	577,405	(313,209)	264,196
Contributions	346,917	4,080	-	-	350,997
Forgiveness of Paycheck Protection Program (PPP) loan	950,000	-	-	-	950,000
Other	58,981	99,988	1,500	(103,858)	56,611
Donated services and materials	143,673	-	-	-	143,673
Investment return, net	735,963	-	-	(481)	735,482
Gain on investment in subsidiary	142,656	-	-	(142,656)	-
Intercompany revenue	(4,451,525)	4,532,828	-	(81,303)	-
Net assets released from restrictions:					
United Way	293,488	-	-	-	293,488
Other	305,390	-	-	-	305,390
Total revenue, gains and other support	6,745,162	4,636,896	578,905	(641,507)	11,319,456
Expenses					
Housing and consumer program	1,342,143	984,386	42,378	(110,382)	2,258,525
Employment and benefits program	1,103,298	282,128	25,131	(70,691)	1,339,866
Family and children program	1,578,567	2,338,766	76,227	(176,192)	3,817,368
General and civil program	184,633	96,783	5,021	(17,702)	268,735
Total program services	4,208,641	3,702,063	148,757	(374,967)	7,684,494
Management and general	952,488	933,364	67,710	(123,402)	1,830,160
Fundraising	149,840	-	-	-	149,840
Rental property	-	-	268,694	(482)	268,212
Total expenses	5,310,969	4,635,427	485,161	(498,851)	9,932,706
Change in net assets without donor restrictions from operations	1,434,193	1,469	93,744	(142,656)	1,386,750
Change in value of interest rate swap agreement	-	-	48,912	-	48,912
Change in net assets without donor restrictions	1,434,193	1,469	142,656	(142,656)	1,435,662
Changes in net assets with donor restrictions					
Ohio Access to Justice	249,873	-	-	-	249,873
United Way of Greater Cincinnati	148,238	-	-	-	148,238
Net assets released from restrictions	(598,878)	-	-	-	(598,878)
Change in net assets with donor restrictions	(200,767)	-	-	-	(200,767)
Change in net assets	1,233,426	1,469	142,656	(142,656)	1,234,895
Net assets, beginning of year	9,082,647	(1,469)	2,132,242	(2,132,729)	9,080,691
Net assets, end of year	<u>\$ 10,316,073</u>	<u>\$ -</u>	<u>\$ 2,274,898</u>	<u>\$ (2,275,385)</u>	<u>\$ 10,315,586</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Supplemental Schedule of Activities
Year Ended December 31, 2021**

	Legal Services Corporation	PAI	Other	Total
Revenue, gains and other support				
Contributions	\$ -	\$ -	\$ 350,997	\$ 350,997
Donated services and materials	-	-	143,673	143,673
Ohio Access to Justice	-	305,276	1,592,676	1,897,952
Grants from Legal Services Corporation	1,953,644	-	-	1,953,644
Refundable advances (LSC)	27,581	-	(27,581)	-
United Way of Greater Cincinnati	-	-	148,238	148,238
Other grants and contracts	-	-	4,617,896	4,617,896
Change in value of interest rate swap agreement	-	-	48,912	48,912
Other revenue	-	-	2,006,289	2,006,289
Total revenue, gains and other support	<u>1,981,225</u>	<u>305,276</u>	<u>8,881,100</u>	<u>11,167,601</u>
Expenses				
Salaries	1,366,506	218,979	4,121,284	5,706,769
Employee benefits	404,350	64,796	1,233,500	1,702,646
Payroll taxes	104,537	16,752	294,435	415,724
Contracted attorney fees	-	-	161,767	161,767
Contracted services and professional fees	22,951	-	397,231	420,182
Specific assistance to individuals	-	-	186,138	186,138
Litigation and advocacy	-	-	68,449	68,449
Supplies	-	-	146,889	146,889
Telephone	-	-	62,677	62,677
Postage and shipping	-	-	45,580	45,580
Occupancy	55,300	4,749	227,552	287,601
Training and travel	-	-	121,943	121,943
Subscriptions and publications	-	-	23,605	23,605
Membership dues	-	-	44,894	44,894
Insurance	-	-	41,348	41,348
Equipment rental and maintenance	-	-	26,058	26,058
Interest and investment fees	-	-	94,117	94,117
Depreciation and amortization	-	-	158,356	158,356
Other	-	-	217,963	217,963
Total expenses	<u>1,953,644</u>	<u>305,276</u>	<u>7,673,786</u>	<u>9,932,706</u>
Change in net assets	27,581 *	-	1,207,314	1,234,895
Net assets, beginning of year	<u>123,228 *</u>	<u>-</u>	<u>8,957,463</u>	<u>9,080,691</u>
Net assets, end of year	<u>\$ 150,809 *</u>	<u>\$ -</u>	<u>\$ 10,164,777</u>	<u>\$ 10,315,586</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, 2021**

Federal Agency/ Pass Through Entity	Assistance Listing Number	Award Number	Federal Expenditures	Passed Through to Subrecipients
Legal Services Corporation				
Legal Aid Award	9.436040	436040	\$ 1,830,416	\$ -
COVID-19 Response Grant Carryover	9.436040	CV20042	123,228	-
Total for CFDA 9.436040 / Legal Services Corporation			<u>1,953,644</u>	<u>-</u>
U.S. Department of Housing and Urban Development				
<i>Passed through City of Cincinnati</i>				
Community Development Block Grant - Clearing Legal Hurdles	14.218	15x2021-039	40,000	-
Community Development Block Grant - Homeless Prevention	14.218	15x2021-036	40,000	-
Community Development Block Grant - Tenant Representation	14.218	15x2021-225	166,989	-
Community Development Block Grant - EMA	14.218	15x2021-226	138,536	-
Community Development Block Grant - Tenant Representation	14.218	25x2022-185	193,590	-
Community Development Block Grant - EMA	14.218	25x2022-184	81,948	-
<i>Passed through Hamilton County</i>				
COVID-19 Community Development Block Grant - EMA	14.218	CDBGFY2020	51,411	-
COVID-19 Community Development Block Grant - Eviction Prevention	14.218	CDBGFY2020	76,338	20,527
Community Development Block Grant - EMA	14.218	CDBGFY2021	44,268	-
Community Development Block Grant - Eviction Prevention	14.218	CDBGFY2021	54,346	-
<i>Passed through City of Middletown</i>				
Community Development Block Grant	14.218	None	13,876	-
Total for CFDA 14.218 / CDBG Cluster			<u>901,302</u>	<u>20,527</u>
U.S. Department of Justice				
<i>Direct Award - Direct Services to Support Victims of Human Trafficking Program/Specialized Services</i>				
	16.320	2019-VT-BX-0052	69,759	-
<i>Direct Award - Legal Assistance for Victims Grant Program</i>				
	16.524	2015-WL-AX-0057	185,711	44,985
<i>Direct Award - Legal Assistance for Victims Grant Program</i>				
	16.524	15JOVW-21-GG-00387-LEGA	55,789	19,624
<i>Passed through Ohio Attorney General</i>				
<i>Crime Victim Assistance</i>				
	16.575	2021-VOCA-133899421 &	49,438	-
	16.575	2022-VOCA-134717008	11,292	-
<i>Passed through Ohio State Legal Services Association</i>				
<i>Crime Victim Assistance</i>				
	16.582	None	26,836	-
<i>Passed through Office of Violence Against Women</i>				
<i>Hamilton County Family Justice Center</i>				
	16.590	2016-WE-AX-0026	5,457	-
<i>Passed through Office of Violence Against Women</i>				
<i>Transitional Housing Assistance for Victims of Domestic Violence, Stalking and Sexual Assault</i>				
	16.736	2017-WH-AX-0048	2,341	-
Total U.S. Department of Justice			<u>406,623</u>	<u>64,609</u>
U.S. Department of the Treasury				
<i>Direct Award - Low Income Taxpayer Clinics</i>				
	21.008	21-LITC0424-03-01	90,000	-
<i>Passed through the City of Cincinnati</i>				
<i>Coronavirus Relief Fund</i>				
	21.019	None	10,000	-
Total U.S. Department of the Treasury			<u>100,000</u>	<u>-</u>
U.S. Department of Health and Human Services				
<i>Passed through Ohio Department of Aging</i>				
<i>Special Programs for the Aging Title III, Part B</i>				
<i>Grants for Supportive Services and Senior Centers / Aging Cluster</i>				
	93.044	None	7,840	-
<i>Passed through Ohio Department of Mental Health and Addiction Services</i>				
<i>Mental Health Block Grant</i>				
	93.958	2100241 & 2200166	17,900	-
<i>Passed through Community Action Agency</i>				
<i>COVID-19 Community Services Block Grant</i>				
	93.569	20-30	438,393	-
Total U.S. Department of Health and Human Services			<u>464,133</u>	<u>-</u>
Social Security Administration				
<i>Direct Award - SSA Benefits Planning Assistance and Outreach Program</i>				
	96.008	6WIP15050414-05-02 & 1WIP21050508-01-00	165,716	-
Total Expenditures of Federal Awards			<u>\$ 3,991,418</u>	<u>\$ 85,136</u>

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2021

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, 2021. 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. The Society's negotiated indirect cost rate is 17%.

**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) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 26, 2022.

Report on 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 opinion 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.

Report on 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 26, 2022
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

Opinion on Each Major Federal Program

We have audited Legal Aid Society of Greater Cincinnati's (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, 2021. 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.

In our opinion, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 *OMB Compliance Supplement for audits of LSC Recipients*. Our responsibilities under those standards, the Uniform Guidance and the *OMB Compliance Supplement for audits of LSC Recipients* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Society's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

**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)**

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the *OMB Compliance Supplement for audits of LSC Recipients*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Society's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Society's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *OMB Compliance Supplement for audits of LSC Recipients*, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

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

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



April 26, 2022
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI AND SUBSIDIARIES

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

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
14.218	Community Development Block Grant

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, 2021**

Reference Number	Summary of Finding	Status
	No matters are reportable	