

Legal Aid Society of Cincinnati

LSC Recipient Number 436040

**Consolidated Financial Statements with Supplementary Information
December 31, 2015 and 2014, with
Independent Auditors' Report**

LEGAL AID SOCIETY OF CINCINNATI
December 31, 2015 and 2014

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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 the Legal Aid Society of Cincinnati (nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expense, and cash flows for the years then ended and the related notes to the 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 the Legal Aid Society of Cincinnati as of December 31, 2015 and 2014 and the change in its net assets and its cash flows for the years then ended in conformity 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 and supplemental schedule of activities are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 17 through 19 are presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of the Organization. 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 27, 2016, 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 27 2016
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Financial Position
December 31, 2015 and 2014**

	2015	2014
Assets		
Cash and cash equivalents	\$ 644,524	\$ 767,307
Cash held in trust for clients	10,798	56,874
Investments	2,768,433	3,117,401
Grants and contracts receivable	378,221	385,368
Contributions receivable, net	1,088,496	549,179
Property and equipment, net	3,497,291	3,518,941
Other assets, net	119,048	70,920
	\$ 8,506,811	\$ 8,465,990
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 89,191	\$ 45,628
Accrued annual leave	289,418	282,765
Other accrued liabilities	93,563	82,465
Assets held for others	10,798	56,874
Interest rate swap agreement	132,293	133,687
Note payable, bank	1,527,820	1,619,608
	2,143,083	2,221,027
Net Assets		
Unrestricted:		
Operating	1,340,392	1,816,602
Net investment in property and equipment	1,837,178	1,765,646
Board designated	1,081,313	1,129,846
	4,258,883	4,712,094
Temporarily restricted	1,437,187	887,773
Permanently restricted	667,658	645,096
	6,363,728	6,244,963
Total net assets	6,363,728	6,244,963
Total liabilities and net assets	\$ 8,506,811	\$ 8,465,990

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Activities
Years Ended December 31, 2015 and 2014**

	2015	2014
Changes in unrestricted net assets		
Revenue, gains and other support:		
Contributions	\$ 462,612	\$ 223,425
Donated services and materials	101,934	94,944
Ohio Legal Aid Fund	1,687,544	1,451,532
Grants from Legal Services Corporation	1,640,696	1,606,564
United Way	-	137,717
Other grants and contracts	2,020,450	1,947,178
Rental income	227,913	232,012
Investment return	(104,136)	205,012
Other	98,467	256,092
Net assets released from restrictions:		
United Way	468,440	479,912
Other	379,333	418,975
Total revenue, gains and other support	6,983,253	7,053,363
Expenses:		
Housing and consumer program	1,271,667	1,255,434
Employment and benefits program	1,369,762	1,211,972
Family and children program	3,281,970	2,955,082
General and civil program	466,732	549,639
Total program services	6,390,132	5,972,127
Management and general	679,969	750,776
Fundraising	112,986	107,229
Rental property	254,771	251,698
Total expenses	7,437,858	7,081,830
Change in unrestricted net assets from operations	(454,605)	(28,467)
Change in value of interest rate swap agreement	1,394	(73,467)
Change in unrestricted net assets	(453,211)	(101,934)
Changes in temporarily restricted net assets		
Contributions	635,442	80,739
Ohio Legal Aid Fund	80,358	53,594
Grants	228,333	285,000
United Way of Greater Cincinnati	453,054	468,440
Net assets released from restrictions	(847,773)	(898,887)
Change in temporarily restricted net assets	549,414	(11,114)
Changes in permanently restricted net assets		
Contributions	22,562	-
Change in permanently restricted net assets	22,562	-
Change in net assets	118,765	(113,048)
Net assets, beginning of year	6,244,963	6,358,011
Net assets, end of year	\$ 6,363,728	\$ 6,244,963

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2015**

	Housing and Consumer Program	Employment and Benefits Program	Family and Children Program	General Civil Program	Management and General	Fundraising	Rental Property	Total Expenses
Salaries	\$ 812,676	\$ 877,098	\$ 2,047,729	\$ 320,455	\$ 267,035	\$ 73,216	\$ -	\$ 4,398,209
Employee benefits	233,015	287,377	543,125	75,248	57,912	24,064	-	1,220,741
Payroll taxes	64,286	72,929	134,355	28,259	17,561	-	-	317,390
Total salaries and related expenses	1,109,977	1,237,404	2,725,209	423,962	342,508	97,280	-	5,936,340
Professional fees - client service	7,108	6,321	157,687	2,182	-	-	-	173,298
Professional fees	4,491	2,185	150,680	1,135	45,604	195	7,925	212,215
Specific assistance to individuals	62,453	-	-	-	-	-	-	62,453
Litigation and advocacy	10,589	2,332	25,314	7	87	-	-	38,329
Supplies	5,042	5,114	10,242	1,604	58,593	2,267	164	83,026
Telephone	4,594	11,933	15,092	5,115	2,413	73	2,919	42,139
Postage and shipping	1,764	1,727	2,971	833	21,024	1,906	99	30,324
Occupancy	73,166	140,229	200,704	60,518	116,013	-	109,201	699,831
Training and travel	21,513	25,888	75,704	804	15,382	1,200	-	140,491
Subscriptions and publications	1,016	1,455	2,538	315	16,564	-	-	21,888
Membership dues	6,792	3,862	14,572	287	16,094	70	-	41,677
Insurance	2,511	6,884	9,024	2,588	4,443	-	6,000	31,450
Equipment rental and maintenance	352	505	857	223	32,921	-	-	34,858
Interest and investment fees	258	804	1,039	356	28,304	-	79,400	110,161
Depreciation and amortization	11,497	22,034	31,536	9,509	18,229	-	48,253	141,058
Intercompany eliminations and other	(51,456)	(98,915)	(141,199)	(42,706)	(38,210)	9,995	810	(361,680)
	<u>\$ 1,271,667</u>	<u>\$ 1,369,762</u>	<u>\$ 3,281,970</u>	<u>\$ 466,732</u>	<u>\$ 679,969</u>	<u>\$ 112,986</u>	<u>\$ 254,771</u>	<u>\$ 7,437,858</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Consolidated Statement of Functional Expenses Year Ended December 31, 2014

	<u>Housing and Consumer Program</u>	<u>Employment and Benefits Program</u>	<u>Family and Children Program</u>	<u>General Civil Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Rental Property</u>	<u>Total Expenses</u>
Salaries	\$ 812,939	\$ 813,863	\$ 1,854,391	\$ 383,234	\$ 263,502	\$ 77,702	\$ -	\$ 4,205,631
Employee benefits	237,758	226,837	400,779	98,146	110,130	29,527	-	1,103,177
Payroll taxes	53,896	70,740	147,181	29,062	1,787	-	-	302,666
Total salaries and related expenses	1,104,593	1,111,440	2,402,351	510,442	375,419	107,229	-	5,611,474
Professional fees - client service	11,253	9,106	166,906	1,327	-	-	-	188,592
Professional fees	1,547	8,515	130,885	357	55,412	-	5,200	201,916
Specific assistance to individuals	46,792	-	-	-	-	-	-	46,792
Litigation and advocacy	560	3,177	35,143	-	352	-	-	39,232
Supplies	4,205	2,484	7,283	1,100	80,496	-	327	95,895
Telephone	320	126	409	68	42,265	-	2,789	45,977
Postage and shipping	1,349	1,315	2,563	532	22,947	-	96	28,802
Occupancy	122,452	81,259	232,642	61,737	82,447	-	105,215	685,752
Training and travel	16,277	26,147	80,443	796	15,641	-	-	139,304
Subscriptions and publications	2,031	5,656	6,887	2,179	8,826	-	-	25,579
Membership dues	4,545	1,598	6,783	34	15,410	-	-	28,370
Insurance	3,018	3,144	3,221	3,046	11,417	-	5,000	28,846
Equipment rental and maintenance	323	154	493	97	38,935	-	-	40,002
Interest and investment fees	41	241	362	133	28,747	-	83,888	113,412
Depreciation and amortization	18,503	12,279	35,155	9,329	12,459	-	48,409	136,134
Intercompany eliminations and other	(82,375)	(54,669)	(156,444)	(41,538)	(39,997)	-	774	(374,249)
	<u>\$ 1,255,434</u>	<u>\$ 1,211,972</u>	<u>\$ 2,955,082</u>	<u>\$ 549,639</u>	<u>\$ 750,776</u>	<u>\$ 107,229</u>	<u>\$ 251,698</u>	<u>\$ 7,081,830</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 118,765	\$ (113,048)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	141,058	136,134
Net realized and unrealized (gains) losses on investments	171,081	(136,015)
Change in value of interest rate swap agreement	(1,394)	73,467
Changes in:		
Grants and contracts receivable	7,147	(97,045)
Contributions receivable, net	(539,317)	(42,399)
Other assets, net	(50,133)	27,769
Accounts payable	43,563	(31,472)
Accrued annual leave	6,653	(1,120)
Other accrued liabilities	11,098	9,586
Net cash used in operating activities	<u>(91,479)</u>	<u>(174,143)</u>
Cash flows from investing activities		
Purchase of property and equipment	(117,403)	(15,292)
Purchase of investments	(471,727)	(475,852)
Proceeds from sale of investments	649,614	542,344
Net cash provided by investing activities	<u>60,484</u>	<u>51,200</u>
Cash flows from financing activities		
Principal payments on note payable	<u>(91,788)</u>	<u>(87,303)</u>
Net change in cash and cash equivalents	(122,783)	(210,246)
Cash and cash equivalents, beginning of year	<u>767,307</u>	<u>977,553</u>
Cash and cash equivalents, end of year	<u>\$ 644,524</u>	<u>\$ 767,307</u>
Supplemental cash flows information		
Interest paid	\$ 79,400	\$ 83,888

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

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

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

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

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

Cash and Cash Equivalents

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, 2015 and 2014, 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.

Cash Held in Trust for Clients

The Society receives advances from clients for payment ordered by the court in connection with litigation proceedings. These amounts are maintained in separate bank accounts and are not available for use in current operations.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

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

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 at time of donation, if acquired by contribution) or fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted 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

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

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.

Contributed Services

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

Government Grants

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

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

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

Revenue Recognition

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

Revenue Concentrations

At December 31, 2015 and 2014, there were four funders that comprised 46% and 67%, respectively, of the total grants and contracts receivable balance. The Society received funding from two organizations that comprised 45% of total revenue, gains and other support during 2015 and 2014.

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 statement of activities. Certain costs have been allocated among the program, management and general, fund raising and rental property categories based upon actual time incurred by the advocates and other allocation methods.

Subsequent Events

The Society has evaluated subsequent events through April 27, 2016, which is the date the financial statements were available to be issued.

LEGAL AID SOCIETY OF CINCINNATI

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

NOTE 2 INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Equity securities	\$ 1,975,319	\$ 2,221,291
Corporate debt securities	560,554	609,327
U.S. Government obligations	156,403	190,352
Mortgage backed securities	76,157	96,431
	<u>\$ 2,768,433</u>	<u>\$ 3,117,401</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2015</u>
Interest and dividend income	\$ 66,945	\$ 68,997
Net realized and unrealized gains on investment reported at fair value	<u>(171,081)</u>	<u>136,015</u>
	<u>\$ (104,136)</u>	<u>\$ 205,012</u>

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Due within one year	\$ 530,085	\$ 499,987
Due in one to five years	568,411	49,192
Less allowance for uncollectible contributions	<u>(10,000)</u>	<u>-</u>
	<u>\$ 1,088,496</u>	<u>\$ 549,179</u>

NOTE 4 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 2015 and 2014, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2015</u>	<u>2014</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	3,860,427	3,747,054
Leasehold improvements	75,228	75,228
Office furniture and equipment	<u>471,196</u>	<u>467,165</u>
	6,203,578	6,086,174
Less accumulated depreciation	<u>(2,706,287)</u>	<u>(2,567,233)</u>
	<u>\$ 3,497,291</u>	<u>\$ 3,518,941</u>

Total depreciation expense was \$139,053 and \$134,129 for 2015 and 2014, respectively.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 5 NOTE PAYABLE

The Society has an amortizing term loan with a bank that matures in November 2027. The balance of the loan was \$1,527,820 and \$1,619,608 at December 31, 2015 and 2014, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (2.18% at December 31, 2015). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

Future principal payments at December 31, 2015, were:

2016	\$	96,907
2017		101,885
2018		107,119
2019		112,622
2020		118,407
Thereafter		990,880
		\$ 1,527,820

NOTE 6 INTEREST RATE SWAP AGREEMENT

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations in prior years, the Society entered into an interest rate swap agreement. The agreement provides for the Society to receive interest from the counterparty at LIBOR plus 1.75% and to pay interest to the counterparty at a fixed rate of 5.02% on the notional amount of \$1,534,026 and \$1,625,814 at December 31, 2015 and 2014, respectively. Under the agreement, the Society pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at its fair value with subsequent changes in fair value included in revenues, gains and other support.

NOTE 7 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 consisted of the following:

	2015	2014
For periods after December 31	\$ 1,159,329	\$ 751,679
Child Help	160,000	50,000
Economically disadvantaged veterans	80,358	-
Education advocacy	37,500	-
OLAF discretionary	-	53,594
Health access advocacy	-	17,500
LawLink	-	15,000
	\$ 1,437,187	\$ 887,773

Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2015 and 2014 are restricted to investment in perpetuity, the income of which is expendable to support any activity of the Society. Permanently restricted net assets were \$667,658 at December 31, 2015 and \$645,096 at December 31, 2014.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 8 ENDOWMENT

The Society has a permanently restricted donor-restricted endowment fund established through the "Help Make Things Happen" fundraising campaign. At December 31, 2015 and 2014, the amount of the endowment was \$667,658 and \$645,096, respectively. As required by GAAP, net assets associated with endowment funds, including board designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society has adopted investment and spending policies for endowment and other invested assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Society must hold in perpetuity. Under the Society's policies, endowment assets are invested in a manner that is intended to produce results that exceed market benchmarks for blended equity and fixed income securities while assuming a moderate level of investment risk. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Society relies on a total return 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 investment to achieve its long-term return objectives within prudent risk constraints.

The Society has a spending policy that allows appropriating for expenditure each year up to 4.0% 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 unrestricted. In establishing this policy, the Society considered the long-term expected return on its endowment and other invested assets. 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 real growth through new gifts and investment return. Donor-restricted contributions to the endowment in 2015 and 2014 were \$22,562 and \$-0-, respectively.

NOTE 9 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 \$287,000 and \$279,000 in 2015 and 2014, respectively.

LEGAL AID SOCIETY OF CINCINNATI

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

NOTE 10 OTHER GRANTS AND CONTRACTS

Other grants and contracts during 2015 and 2014 consisted of the following:

	2015	2014
Community Development Block Grant		
Cincinnati	\$ 137,500	\$ 134,220
Middletown	15,112	7,137
Project Able / Rehab Services Commission	11,721	13,770
Guardian Ad Litem - Butler County	682,508	682,508
Social Security Administration Benefits Planning Assistance & Outreach	141,393	107,496
Health Access Advocacy Grants	-	97,500
Education Advocacy	37,500	-
Ohio Attorney General VOCA	89,714	58,703
Stabilizing Neighborhoods through Secure Housing	30,000	60,000
Comprehensive Employment Assistance	15,000	60,000
Violence Against Women	183,851	157,790
Child Help	152,917	186,075
Team Child	110,004	110,004
Low Income Taxpayer Clinic	44,465	-
MSD Ombudsman Program	15,712	22,337
Attorney / Staff Fellowships	82,000	66,500
Emergency Mortgage Assistance Cincinnati	118,777	101,292
Family Law Grants	82,182	9,209
Other	70,094	72,637
	\$ 2,020,450	\$ 1,947,178

NOTE 11 RENTAL INCOME

The Society rents office and parking space to various tenants with leases expiring through 2017. Future minimum rent income under the operating leases at December 31, 2015 was:

2016	\$ 218,868
2017	162,498
	\$ 381,366

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 12 OPERATING LEASES

Non-cancellable operating leases for certain office space and office equipment expire in various years through 2020. One lease contains a renewable option for an additional five year period. Future minimum lease payments at December 31, 2015, were:

2016	\$	21,785
2017		21,785
2018		17,873
2019		5,407
2020		4,055
		<hr/>
	\$	70,905
		<hr/> <hr/>

Rent expense was approximately \$95,000 and \$101,000 in 2015 and 2014, respectively.

NOTE 13 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 \$352,000 and \$266,000 for 2015 and 2014, respectively.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

LEGAL AID SOCIETY OF CINCINNATI

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

NOTE 14 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>2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Equity securities	\$ 1,975,319	\$ 1,975,319	\$ -
Corporate debt securities	560,554	-	560,554
U.S. Government obligations	156,403	-	156,403
Mortgage backed securities	76,157	-	76,157
	<u>\$ 2,768,433</u>	<u>\$ 1,975,319</u>	<u>\$ 793,114</u>
Interest rate swap (liability)	<u>\$ 132,293</u>	<u>\$ -</u>	<u>\$ 132,293</u>
<u>2014</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Equity securities	\$ 2,221,291	\$ 2,221,291	\$ -
Corporate debt securities	609,327	-	609,327
U.S. Government obligations	190,352	-	190,352
Mortgaged back securities	96,431	-	96,431
	<u>\$ 3,117,401</u>	<u>\$ 2,221,291</u>	<u>\$ 896,110</u>
Interest rate swap (liability)	<u>\$ 133,687</u>	<u>\$ -</u>	<u>\$ 133,687</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 value is based on observable market quotes, if available. If a quoted market price is not available, fair value is estimated using quoted prices for similar securities.

Interest Rate Swap

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

SUPPLEMENTARY INFORMATION

LEGAL AID SOCIETY OF CINCINNATI

**Consolidating Statement of Financial Position
December 31, 2015**

	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	\$ 184,570	\$ 262,785	\$ 197,169	\$ -	\$ 644,524
Cash held in trust for clients	2,302	8,496	-	-	10,798
Investments	2,768,433	-	-	-	2,768,433
Grants and contracts receivable	378,221	-	-	-	378,221
Contributions receivable, net	1,084,222	770,012	-	(765,738)	1,088,496
Amounts due from subsidiary	1,120,000	-	-	(1,120,000)	-
Property and equipment, net	53,564	-	3,443,727	-	3,497,291
Investment in subsidiary	1,832,969	-	-	(1,832,969)	-
Other	68,776	45,274	4,998	-	119,048
	<u>\$ 7,493,057</u>	<u>\$ 1,086,567</u>	<u>\$ 3,645,894</u>	<u>\$ (3,718,707)</u>	<u>\$ 8,506,811</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 815,927	\$ 26,575	\$ 12,427	\$ (765,738)	\$ 89,191
Amounts due to parent	-	1,000,000	120,000	(1,120,000)	-
Accrued annual leave	275,695	13,723	-	-	289,418
Other accrued liabilities	35,405	37,773	20,385	-	93,563
Assets held for others	2,302	8,496	-	-	10,798
Interest rate swap agreement	-	-	132,293	-	132,293
Note payable, bank	-	-	1,527,820	-	1,527,820
	<u>1,129,329</u>	<u>1,086,567</u>	<u>1,812,925</u>	<u>(1,885,738)</u>	<u>2,143,083</u>
Net Assets					
Unrestricted					
Operating	3,124,006	-	49,355	(1,832,969)	1,340,392
Net investment in property and equipment	53,564	-	1,783,614	-	1,837,178
Board designated	1,081,313	-	-	-	1,081,313
	<u>4,258,883</u>	<u>-</u>	<u>1,832,969</u>	<u>(1,832,969)</u>	<u>4,258,883</u>
Temporarily restricted	1,437,187	-	-	-	1,437,187
Permanently restricted	667,658	-	-	-	667,658
	<u>6,363,728</u>	<u>-</u>	<u>1,832,969</u>	<u>(1,832,969)</u>	<u>6,363,728</u>
Total net assets	<u>\$ 7,493,057</u>	<u>\$ 1,086,567</u>	<u>\$ 3,645,894</u>	<u>\$ (3,718,707)</u>	<u>\$ 8,506,811</u>
Total liabilities and net assets	<u>\$ 7,493,057</u>	<u>\$ 1,086,567</u>	<u>\$ 3,645,894</u>	<u>\$ (3,718,707)</u>	<u>\$ 8,506,811</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

Consolidating Statement of Activities Year Ended December 31, 2015

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
Changes in unrestricted net assets					
Revenue, gains and other support					
Contributions	\$ 462,612	\$ -	\$ -	\$ -	\$ 462,612
Donated services and materials	101,934	-	-	-	101,934
Ohio Legal Aid Fund	1,687,544	-	-	-	1,687,544
Grants from Legal Services Corporation	1,640,696	-	-	-	1,640,696
Other grants and contracts	2,019,888	562	-	-	2,020,450
Rental income	-	-	541,122	(313,209)	227,913
Investment return	(104,136)	-	-	-	(104,136)
Other	64,538	32,405	1,524	-	98,467
Gain on investment in subsidiary	72,888	-	-	(72,888)	-
Intercompany revenue	(4,294,308)	4,371,695	-	(77,387)	-
Net assets released from restrictions:					
United Way	468,440	-	-	-	468,440
Other	379,333	-	-	-	379,333
Total revenue, gains and other support	<u>2,499,429</u>	<u>4,404,662</u>	<u>542,646</u>	<u>(463,484)</u>	<u>6,983,253</u>
Expenses					
Housing and consumer program	291,273	1,001,976	26,805	(48,387)	1,271,667
Employment and benefits program	749,943	661,181	51,374	(92,736)	1,369,762
Family and children program	1,243,615	2,097,556	73,529	(132,730)	3,281,970
General and civil program	254,500	230,083	22,171	(40,022)	466,732
Total program services	<u>2,539,331</u>	<u>3,990,796</u>	<u>173,879</u>	<u>(313,874)</u>	<u>6,390,132</u>
Management and general	301,540	412,649	42,502	(76,722)	679,969
Fundraising	111,769	1,217	-	-	112,986
Rental property	-	-	254,771	-	254,771
Total expenses	<u>2,952,640</u>	<u>4,404,662</u>	<u>471,152</u>	<u>(390,596)</u>	<u>7,437,858</u>
Change in unrestricted net assets from operations	(453,211)	-	71,494	(72,888)	(454,605)
Change in value of interest rate swap agreement	-	-	1,394	-	1,394
Change in unrestricted net assets	<u>(453,211)</u>	<u>-</u>	<u>72,888</u>	<u>(72,888)</u>	<u>(453,211)</u>
Changes in temporarily restricted net assets					
Contributions	635,442	-	-	-	635,442
Ohio Legal Aid Fund	80,358	-	-	-	80,358
Other grants and contracts	228,333	-	-	-	228,333
United Way of Greater Cincinnati	453,054	-	-	-	453,054
Net assets released from restrictions	(847,773)	-	-	-	(847,773)
Change in temporarily restricted net assets	<u>549,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>549,414</u>
Changes in permanently restricted net assets					
Contributions	22,562	-	-	-	22,562
Change in permanently restricted net assets	<u>22,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,562</u>
Change in net assets	<u>118,765</u>	<u>-</u>	<u>72,888</u>	<u>(72,888)</u>	<u>118,765</u>
Net assets, beginning of year	<u>6,244,963</u>	<u>-</u>	<u>1,835,081</u>	<u>(1,835,081)</u>	<u>6,244,963</u>
Distributions	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 6,363,728</u>	<u>\$ -</u>	<u>\$ 1,832,969</u>	<u>\$ (1,832,969)</u>	<u>\$ 6,363,728</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

**Supplemental Schedule of Activities
Year Ended December 31, 2015**

	Legal Services Corporation	PAI	Other	Total
Revenue, gains and other support				
Contributions	\$ -	\$ -	\$ 1,120,616	\$ 1,120,616
Donated services and materials	-	-	101,934	101,934
Ohio Legal Aid Fund	-	286,945	1,480,957	1,767,902
Grants from Legal Services Corporation	1,640,696	-	-	1,640,696
United Way	-	-	453,054	453,054
Other grants and contracts	-	-	2,248,783	2,248,783
Change in value of interest rate swap agreement	-	-	1,394	1,394
Other revenue	-	-	222,244	222,244
Total revenue, gains and other support	<u>1,640,696</u>	<u>286,945</u>	<u>5,628,982</u>	<u>7,556,623</u>
Expenses				
Salaries	1,143,100	205,925	3,049,184	4,398,209
Employee benefits	423,111	58,049	739,581	1,220,741
Payroll taxes	-	15,684	301,706	317,390
Professional fees and related contract services	14,121	2,539	368,853	385,513
Specific assistance to individuals	-	-	62,453	62,453
Litigation and advocacy	-	-	38,329	38,329
Supplies	4,403	-	78,623	83,026
Telephone	-	-	42,139	42,139
Postage and shipping	-	-	30,324	30,324
Occupancy	52,184	4,748	642,899	699,831
Training and travel	-	-	140,491	140,491
Subscriptions and publications	-	-	21,888	21,888
Membership dues	-	-	41,677	41,677
Insurance	3,777	-	27,673	31,450
Equipment rental and maintenance	-	-	34,858	34,858
Interest and investment fees	-	-	110,161	110,161
Depreciation and amortization	-	-	141,058	141,058
Other	-	-	(361,680)	(361,680)
Total expenses	<u>1,640,696</u>	<u>286,945</u>	<u>5,510,217</u>	<u>7,437,858</u>
Change in net assets	-	-	118,765	118,765
Net assets, beginning of year	-	-	6,244,963	6,244,963
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,363,728</u>	<u>\$ 6,363,728</u>

Note to Schedule:

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

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015**

Federal Agency/ Pass Through Entity	Federal CFDA Number	Award Number	Federal Expenditures
Legal Services Corporation	9.436040	436040	<u>\$ 1,640,696</u>
U.S. Department of Housing and Urban Development			
<i>Passed through City of Cincinnati</i>			
Community Development Block Grant	14.218	05x2014-049	137,500
Emergency Mortgage Assistance	14.218	45x2014-139	118,777
<i>Passed through City of Middletown</i>			
Community Development Block Grant	14.218	None	<u>15,112</u>
Total for CFDA 14.218			<u>271,389</u>
U.S. Department of Justice			
<i>Direct Award</i>			
Legal Assistance for Victims Grant Program	16.524	2012-WL-AX-0041 & 2015-WL-AX-0057	183,851
<i>Passed through Ohio Attorney General</i>			
Crime Victim Assistance	16.575	None	<u>89,714</u>
Total U.S. Department of Justice			<u>273,565</u>
U.S. Department of the Treasury			
<i>Direct Award</i>			
Low Income Taxpayer Clinics	21.008	15-LITC0147-01-01	<u>44,465</u>
U.S. Department of Health and Human Services			
<i>Passed through Ohio Department of Aging</i>			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	None	<u>6,334</u>
Social Security Administration			
<i>Direct Award</i>			
SSA Benefits Planning Assistance and Outreach Program	96.008	1WIP13050319-01-00 & 1WIP15050414-01-00	<u>141,393</u>
			<u>\$ 2,377,842</u>

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of Legal Aid Society of Greater Cincinnati ("the Society") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.
2. The Society provided no federal awards to subrecipients.

**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 (Organization), which comprise the statement of financial position as of December 31, 2015 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 27, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burns, Denning & Co., Ltd.

April 27, 2016
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 (Organization) 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 Organization's major federal programs for the year ended December 31, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit for 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 Organization'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 Organization'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, 2015.

Report on Internal Control over Compliance

Management of the Organization 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 Organization'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 Organization'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.

Burns, Denning & Co., Ltd.

April 27, 2016
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2015**

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 200.56(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? X Yes _____ No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

LEGAL AID SOCIETY OF CINCINNATI

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015**

Reference Number	Summary of Finding	Status
	No matters are reportable	