

**Legal Aid Society, Inc.**

**Legal Services Corporation  
Grant Recipient No. 618010**

**Year Ended December 31, 2022**

**Legal Aid Society, Inc.**  
**Table of Contents**  
**Year Ended December 31, 2022**

	<u>Page</u>
Independent Auditor's Report on Financial Statements .....	1 - 3
<b>Financial Statements</b>	
Statement of Financial Position .....	4
Statement of Activities and Changes in Net Assets .....	5
Statement of Functional Expenses .....	6
Statement of Cash Flows .....	7
Notes to Financial Statements.....	8 - 19
<b>Additional Information</b>	
Schedules of Support, Revenue, and Gains, and Expenses and Losses by Funding Source - Net Assets Without Donor Restrictions .....	20
Schedules of Support and Revenue, Expenses, and Changes in Net Assets with Donor Restrictions - LSC Funds .....	21
Schedules of Support and Revenue, and Expenses by Funding Source - Net Assets with Donor Restrictions - Other Purpose Restrictions .....	22
<b>Supplementary Information</b>	
Schedule of Expenditures of Federal Awards .....	23 - 25
Notes to Schedule of Expenditures of Federal Awards .....	26
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	27 - 28
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance .....	29 - 31
Schedule of Findings and Questioned Costs.....	32
Summary Schedule of Prior Audit Findings .....	33



## **Independent Auditor's Report on Financial Statements**

Board of Directors  
Legal Aid Society, Inc.

### **Opinion**

We have audited the financial statements of Legal Aid Society, Inc. (the "Society") which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Change in Accounting Principle**

As disclosed in Note B(1) to the financial statements, effective January 1, 2022, the Society adopted Accounting Standards Update 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

### **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 the 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 the Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

MCM CPAs & Advisors LLP

www.mcmcpa.com  
888.587.1719

A Member of PrimeGlobal - An Association  
of Independent Accounting Firms

**Kentucky**  
**Indiana**  
**Ohio**

## **Independent Auditor's Report on Financial Statements (Continued)**

### **Auditor's 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 GAAS 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.

In performing an audit in accordance with GAAS 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 the Society'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 the Society'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 identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited the Legal Aid Society, Inc.'s 2021 financial statements, and our report dated April 8, 2022, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information on pages 20 through 22 is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is also 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* ("Uniform Guidance") and is not a required part of the financial statements. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



## Independent Auditor's Report on Financial Statements (Continued)

### Other Reporting Required by *Government Auditing Standards*

The summarized additional 2021 information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the financial statements. The information was subjected to the auditing procedures applied in the 2021 audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole as previously expressed in our audit opinion dated April 8, 2022.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2023 on our consideration of the Society'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 solely 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 the effectiveness of Legal Aid Society, Inc.'s 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, Inc.'s internal control over financial reporting and compliance.

MUM CPAs & Advisors LLP

Louisville, Kentucky

June 7, 2023

**Legal Aid Society, Inc.**  
**Statement of Financial Position**  
**December 31, 2022**

	<u>2022</u>	<u>Comparative only 2021</u>
<b>Assets</b>		
Assets		
Cash and cash equivalents	\$ 1,399,456	\$ 1,514,046
Cash in escrow, client deposits	7,943	6,683
Certificates of deposit	1,276,149	1,488,652
Investments	31,058	40,301
Beneficial interest in funds held in trust by others	37,532	33,994
Grants and contracts receivable	1,400,668	919,431
Pledges receivable, net	206,588	-
Prepaid expenses and other assets	34,744	94,775
Other receivables	34	34
Property and equipment, net	54,844	79,848
Right-of-use operating lease assets	2,293,174	-
Total assets	<u>\$ 6,742,190</u>	<u>\$ 4,177,764</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable	\$ 143,433	\$ 197,283
Client deposits	7,943	6,683
Accrued rent and security deposit	3,769	33,537
Accrued vacation and benefits	302,579	269,990
Deferred revenue	1,256	1,256
Other current liabilities	11,730	10,247
Operating lease liabilities	2,317,256	-
Total liabilities	2,787,966	518,996
Net assets		
Net assets without donor restrictions		
Available for operations	1,626,057	1,756,321
Invested in property and equipment	54,844	79,848
Board designated endowment	31,058	40,301
Board designated - operating reserve	1,481,454	1,366,037
Total net assets without donor restrictions	3,193,413	3,242,507
Net assets with donor restrictions		
Legal Services Corporation	-	-
Other program restrictions	674,579	333,567
Endowment funds	86,232	82,694
Total net assets with donor restrictions	<u>760,811</u>	<u>416,261</u>
Total net assets	<u>3,954,224</u>	<u>3,658,768</u>
Total liabilities and net assets	<u>\$ 6,742,190</u>	<u>\$ 4,177,764</u>

See accompanying notes.

Legal Aid Society, Inc.  
Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2022

	2022					Comparative only 2021
	Net assets without donor restrictions	Net assets with donor restrictions			Total	Total
		LSC	Other purpose restrictions	Restricted in perpetuity		
Support, revenue, and gains						
Grants and contracts	\$ 68,040	\$ 1,804,051	\$ 2,243,518	\$ -	\$ 4,115,609	\$ 3,784,910
Contributions	569,288	5,485	748,604	5,000	1,328,377	558,225
Special event revenue, net of expenses of \$111,546	-	-	54,461	-	54,461	35,205
Filing fees	540,333	-	-	-	540,333	545,342
Justice Cabinet	-	-	-	-	-	3,388
Interest on lawyer trust accounts	136,080	-	-	-	136,080	117,260
CY Pres Award	19,590	-	-	-	19,590	86,418
Paycheck Protection Program loan forgiveness	-	-	-	-	-	-
Donated legal services	-	569,797	515	-	570,312	220,197
Attorney fees	-	-	1,500	-	1,500	-
Interest income	1,428	2,299	4,719	-	8,446	9,038
Gain (loss) on investments	(1,670)	(2,689)	(5,503)	(1,462)	(11,324)	2,312
Gain on disposal of equipment	8,485	-	-	-	8,485	-
Rent income	2,553	4,111	8,410	-	15,074	15,074
Miscellaneous	5,952	7,778	15,913	-	29,643	9,172
Net assets released from donor restrictions	5,121,957	(2,390,832)	(2,731,125)	-	-	-
Total support, revenue, and gains	6,472,036	-	341,012	3,538	6,816,586	5,386,541
Expenses and losses						
Program services	5,338,941	-	-	-	5,338,941	4,740,021
Management and general	851,499	-	-	-	851,499	639,089
Fundraising	330,690	-	-	-	330,690	329,270
Total expenses and losses	6,521,130	-	-	-	6,521,130	5,708,380
Changes in net assets	(49,094)	-	341,012	3,538	295,456	(321,839)
Net assets, beginning of year	3,242,507	-	333,567	82,694	3,658,768	3,980,607
Net assets, end of year	\$ 3,193,413	\$ -	\$ 674,579	\$ 86,232	\$ 3,954,224	\$ 3,658,768

See accompanying notes.

**Legal Aid Society, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	2022			Comparative only 2021	
	Program services	Management and general	Fundraising	Total	Total
Personnel expenses					
Lawyers	\$ 1,729,933	\$ 318,855	\$ 30,640	\$ 2,079,428	\$ 1,984,247
Paralegals	649,416	-	-	649,416	569,539
Other	177,246	192,286	155,205	524,737	466,768
Employee benefits	1,218,411	243,596	88,569	1,550,576	1,462,084
Total personnel expenses	3,775,006	754,737	274,414	4,804,157	4,482,638
Non-personnel expenses					
Rent, utilities, and building maintenance	275,993	35,803	13,675	325,471	334,967
Equipment expense	74,340	9,646	3,683	87,669	89,746
Office supplies and expense	50,527	6,555	2,504	59,586	47,656
Telephone	29,234	3,792	1,448	34,474	32,338
Travel	11,612	1,507	-	13,119	10,643
Training	63,402	-	-	63,402	18,200
Insurance	27,728	3,597	1,374	32,699	29,121
Library	20,633	2,677	1,022	24,332	34,031
Dues and fees	23,598	3,062	1,169	27,829	30,766
Litigation	67,487	-	-	67,487	42,747
Audit and payroll processing	23,832	3,092	1,181	28,105	30,576
Consultants and contract services	265,481	-	-	265,481	173,691
Advertising and public relations	-	-	29,445	29,445	27,846
Donated services expense	570,312	-	-	570,312	220,197
Depreciation	-	25,004	-	25,004	24,036
Office of Kentucky legal services programs	41,560	-	-	41,560	43,849
Bank and investment fees	-	2,027	775	2,802	2,825
Special event expenses	-	-	111,546	111,546	26,285
Other	18,196	-	-	18,196	32,507
Total non-personnel expenses	1,563,935	96,762	167,822	1,828,519	1,252,027
Total functional expenses	5,338,941	851,499	442,236	6,632,676	5,734,665
Expenses included with revenues	-	-	111,546	111,546	26,285
	<u>\$ 5,338,941</u>	<u>\$ 851,499</u>	<u>\$ 330,690</u>	<u>\$ 6,521,130</u>	<u>\$ 5,708,380</u>

See accompanying notes.

**Legal Aid Society, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

	<u>2022</u>	<u>Comparative only 2021</u>
Cash flows from operating activities		
Cash received from grants, contracts, rent, and filing fees	\$ 4,406,357	\$ 4,357,807
Cash paid to suppliers, employees, and other	(5,891,247)	(5,383,019)
Contributions received	1,121,789	558,225
Interest income received	8,446	9,038
Other income received	21,158	9,172
	<u>(333,497)</u>	<u>(448,777)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property and equipment	-	(12,421)
Sale (purchase) of certificates of deposit	212,503	(7,338)
Proceeds from sale of equipment	8,485	-
Change in client deposit liability	1,260	(37,861)
Purchase of investments	(2,081)	(2,027)
	<u>220,167</u>	<u>(59,647)</u>
Net cash provided by (used in) investing activities		
Decrease in cash, cash equivalents and restricted cash	(113,330)	(508,424)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,520,729</u>	<u>2,029,153</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,407,399</u>	<u>\$ 1,520,729</u>
Supplemental disclosures		
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	\$ 2,439,397	\$ -
Reconciliation of total cash, cash equivalents and restricted cash with the statement of financial position		
Cash and cash equivalents	\$ 1,399,456	\$ 1,514,046
Cash in escrow, client deposits	7,943	6,683
	<u>\$ 1,407,399</u>	<u>\$ 1,520,729</u>

See accompanying notes.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements**  
**Year Ended December 31, 2022**

**Note A - Nature of Society and Operations**

Legal Aid Society, Inc. (the "Society"), is a Kentucky non-profit corporation organized for the purpose of providing legal assistance in non-criminal proceedings or matters to persons financially unable to afford such assistance in Louisville, Kentucky and the surrounding areas. The Society is primarily funded through grants from Legal Services Corporation ("LSC"), other grants and other contributions.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting and Presentation: The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.

In February 2016, the Financial Accounting Standards Board ("FASB") issued, Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which required all leases to be recognized on the Society's statement of financial position as a right of use ("ROU") asset and a lease liability, unless the lease is a short-term lease (generally a lease with a term of twelve months or less). In July 2018, the FASB issued ASU 2018-11, which provided an additional transition method and in June 2020 issued ASU 2020-05, which deferred the effective date of ASU 2016-02.

Effective January 1, 2022, the Society adopted ASU 2016-02 and all related amendments using the optional transition method, which allows entities to apply the guidance at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets, if any, in the period of adoption with no restatement of comparative periods. The Society elected the available practical expedients to account for existing capital and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. Upon transition to the guidance as of the date of adoption, the Society recognized lease liabilities of \$2,439,397 on the statement of financial position, with a corresponding amount of ROU assets. The adoption did not have a material effect on the statement of activities and changes in net assets or cash flows. As a result of the adoption, no adjustment to the opening balance of net assets was necessary.

Effective January 1, 2022, the Society adopted Accounting Standards Codification 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. The standard was applied retrospectively as of the effective date with no material impact.

The Society has reported information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

1. Basis of Accounting and Presentation (Continued):

*Net Assets Without Donor Restrictions* are those that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's management and the board of directors. They include the following:

- *Available for Operations:* These net assets represent the portion of expendable funds available for support of the operation of the Society.
- *Invested in Property and Equipment:* These net assets represent cumulative resources expended for property and equipment, less the accumulated depreciation recorded on the property and equipment and net of related debt.
- *Board Designated:* These net assets have board-imposed limitations on their use. Although the board could release or revise the limitations on their use in the future, there is no intent to do so. The board has designated certain net assets without donor restrictions for endowment purposes. The board also passed a resolution to maintain a cash reserve of a minimum of three months current operating expenses for fiscal responsibility.

*Net Assets with Donor Restrictions* are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

2. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
3. Subsequent Events: The Society has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.
4. Sources of Revenue: The Society receives revenue from state and county governments, public campaigns, direct contributions, and work contract services. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Work contract and filing fee service revenue is recognized as services are performed.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

5. Cash and Cash Equivalents: The Society considers all short-term investments with an original maturity of three months or less to be cash equivalents. The Society places its cash with financial institutions, and at times cash deposits may exceed the coverage provided by the Federal Deposit Insurance Corporation ("FDIC"). The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on bank deposits.
6. Certificates of Deposit: The Society is invested in certificates of deposits with initial maturities exceeding three months. These short-term deposits are stated at cost plus accrued interest.
7. Investments and Beneficial Interest in Funds Held in Trust by Others: Investments consist of assets held by the Community Foundation of Louisville and Louisville Bar Foundation. The net change in unrealized gains or losses as well as interest income is included in the statement of activities and changes in net assets. Donated securities, if any, are recorded as contributions at their fair value at date of gift. See Note D for additional information.
8. Grants and Contracts/Allowance: The Society recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with the terms of the grant agreement with LSC, the Society may, in future periods, use unspent funds limited to 10% of the previous year's LSC grant, or 25% with a LSC waiver under certain special circumstances, provided that expenses incurred are in compliance with the specified terms of the LSC grant. Unspent funds in excess of the 25% limit may be required to be returned to the LSC. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Society with the terms of the LSC grant. In addition, if the Society terminates its LSC contract activities, all unused funds are to be returned to LSC.

All other material grants are recognized as support when eligible costs are incurred. Grants and contracts receivable represent amounts due from the grant providers, based upon either eligible costs incurred, units of service provided or the grant terms.

Provisions for doubtful grant and contract receivables are recorded to the extent management estimates reimbursement requests may be denied based upon historical trends. At December 31, 2022, management determined all accounts were collectible; therefore, there is no allowance for doubtful accounts. Receivables are charged to the allowance when the reimbursement required is denied. Amounts are considered past due based upon the grant agreement or contract.

Grant receivables expected to be received in periods greater than one year from the date of the financial statements have been discounted to present value using rates based on low-risk financial instruments that approximate the time to collection.

9. Contributions Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. No allowance for uncollectible pledges has been included as management considers all amounts collectible.



**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

10. Property and Equipment: Property and equipment are recorded at cost, or if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense when incurred. Major expenditures and those which substantially increase useful lives are capitalized. Gain or loss on the retirement or disposition of assets is credited or charged to operations and the respective cost and accumulated depreciation are eliminated from the accounts.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. For purposes of computing depreciation and amortization, the estimated useful lives of the assets range from 3 to 7 years. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the estimated useful lives ranging from 7 to 10 years or the remaining term of the lease.

Property and equipment are considered to be owned by the Society while used in current programs. However, LSC maintains a reversionary interest in all non-expendable property purchased in whole or in part with LSC funds, as well as the right to determine the use of any proceeds from the sale of such assets.

11. Leases: The Society leases certain equipment and office space. The Society determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets, and lease liabilities on the statements of financial position.

ROU assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the Society's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement based on the present value of lease payments over the lease term. As most of the Society's leases do not provide an implicit rate, the Society uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Utilization of a risk-free rate is a practical expedient allowed if no rate is implicit in the lease. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For short term leases (that is a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Society is reasonably certain to exercise), a ROU asset and lease liability is not recognized; instead lease payments are recognized in the statement of activities and changes in net assets on a straight-line basis over the lease term and any variable lease payments are recognized when the obligation for those payments is incurred.

Lease agreements with lease and non-lease components are generally accounted for separately. The Society has elected to account for the lease and non-lease components as a single lease component for all asset classes. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of non-lease components may be revised. These variable lease payments will be recognized in operating expenses in the period in which the obligation for those payments is incurred.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note B - Summary of Significant Accounting Policies (Continued)**

12. Court Awarded Attorney Fees: Attorney fees awarded to the Society are allocated to the programs which incurred the litigation costs and expenses. The fees are recognized as support upon collection. Attorney fees collected in 2022 totaled \$1,500.
13. Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Society are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas, such as salaries and benefits, occupancy, depreciation and professional services, have been allocated among the programs and supporting services benefited primarily based on estimates of time and level of effort.
14. Donated Services: Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. Donated services consist of donated legal services and are reflected as support and revenue with a corresponding expense of the same amount. Donated legal services totaled \$570,312 for the year ended December 31, 2022. The donated legal services are valued at hourly rates established by the volunteering lawyer. Student volunteers are valued at a rate of \$15 per hour. The donated legal services are used in various Society programs are not donor restricted.
15. Advertising: The Society expenses advertising costs as incurred. Total advertising expense for the year ended December 31, 2022 was \$29,445.
16. Income Taxes: The Society has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements.

The Society recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

17. Recent Accounting Pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the calendar year ending December 31, 2023. The Society is currently evaluating ASU 2016-13 and its related impact on the Society's financial statements.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note C - Liquidity and Availability of Resources**

The Society's financial assets available within one year of the statement of financial position date for general expenditures as of December 31, 2022 are as follows:

Cash and cash equivalents	\$ 1,399,456
Cash in escrow, client deposits	7,943
Certificates of deposit	1,276,149
Investments	31,058
Grants and contracts receivable	1,400,668
Pledges receivable, net	206,588
Other receivables	<u>34</u>
 Total financial assets	 4,321,896
 Less amounts not available to be used within one year	
Restricted by donors in perpetuity	86,232
Restricted by donors for programs	674,579
Financial assets held for others	7,943
 Amounts unavailable to management without board's approval	
Board designated endowment	31,058
Board designated operating reserve	<u>1,481,454</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 2,040,630</u></u>

The Society structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Society invests excess cash in short-term investments, such as money market accounts and certificates of deposit. In addition, the Society has board designated net assets without donor restrictions that, while the Society does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note D - Contributions Receivable**

Contributions receivable consist of the following at December 31, 2022:

Less than one year	\$ 64,807
One to five years	<u>154,000</u>
	218,807
Less present value discount	<u>(12,219)</u>
Contributions receivable, net	<u><u>\$ 206,588</u></u>

Contributions receivable are discounted at a rate of 3.99% at December 31, 2022.

**Note E - Fair Value Measurements**

FASB ASC 820, *Fair Value Measurements and Disclosures* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models or similar techniques reflecting the Society's own assumptions.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note E - Fair Value Measurements (Continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used to determine fair value at December 31, 2022.

*Investments held by the Community Foundation of Louisville:* These investments are units of a Community Foundation of Louisville ("CFL") investment fund valued using the Net Asset Value ("NAV") provided by the Foundation. The NAV is not traded in an active market and is based on the value of the underlying investment assets.

*Beneficial interest in funds held in trust by others:* These investments are units of a Louisville Bar Foundation ("LBF") investment pool valued using the NAV provided by LBF. The NAV is not traded in an active market and is based on the value of the underlying investment assets.

Fair values of financial assets measured on a recurring basis at December 31, 2022 are as follows:

	Fair value	Level 1	Level 2	Level 3
Investments	\$ 31,058	\$ -	\$ 31,058	\$ -
Beneficial interest	37,532	-	37,532	-
	<u>\$ 68,590</u>	<u>\$ -</u>	<u>\$ 68,590</u>	<u>\$ -</u>

**Note F - Endowment Funds**

The Society's endowment fund consists of both a donor-restricted fund and funds designated by the Board to function as an endowment. As required by GAAP, net assets associated with the endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Kentucky has enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the provisions of which apply to endowment funds existing on or established after enactment. The Society is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

The Board of the Society has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Society classifies as net assets with donor restrictions (a time restriction in perpetuity) the original value of gifts donated to the donor restricted endowment and accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) if those amounts have not been appropriated for expenditure by the Society.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note F - Endowment Funds (Continued)**

Changes in endowment net assets for the year ended December 31, 2022 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions - purpose restrictions</u>	<u>With donor restrictions - restricted in perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 40,301	\$ 84	\$ 82,694	\$ 123,079
Investment return, net	(9,243)	16	538	(8,689)
Contributions	-	-	5,000	5,000
Appropriations for expenditures	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>(2,000)</u>
Endowment net assets, end of year	<u>\$ 31,058</u>	<u>\$ 100</u>	<u>\$ 86,232</u>	<u>\$ 117,390</u>

The donor restricted endowment investments are currently invested in an interest-bearing money market account and the earnings each year are paid as a service award to a Society employee or retained for the award in a future year. The Board is in the process of updating investing and spending policies for this endowment fund.

Funds held in trust by others are held by the LBF for the benefit of the Society. As such, this endowment fund is subject to the LBF's investing and distribution policies.

The board designated endowment is held at the CFL. The investing and spending policies are determined by CFL, not the Society.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note G - Property and Equipment**

Property and equipment of the Society at December 31, 2022 are summarized as follows:

	Non-LSC	2022 LSC	Total
Leasehold improvements	\$ 83,674	\$ -	\$ 83,674
Equipment	97,312	-	97,312
Vehicles	39,906	-	39,906
Furniture and fixtures	19,458	-	19,458
	<hr/>	<hr/>	<hr/>
Total	240,350	-	240,350
	<hr/>	<hr/>	<hr/>
Less accumulated depreciation	(185,506)	-	(185,506)
	<hr/>	<hr/>	<hr/>
Total property and equipment	<u>\$ 54,844</u>	<u>\$ -</u>	<u>\$ 54,844</u>

**Note H - Legal Services Corporation Grants**

The Society's operations are funded partially through a basic field grant from LSC in the amount of \$1,626,434 for the year ended December 31, 2022. In accordance with LSC regulations, funds of no less than 12.5% of the basic LSC award must be designated for Private Attorney Involvement ("PAI"). Unspent grant dollars may be carried over to the subsequent year. Total revenue recognized during the year ended December 31, 2022 from LSC grants was \$1,804,051.

**Note I - Commitments and Contingencies**

Operating Leases

The Society determines if an arrangement is a lease at inception. The Society has operating leases for equipment and office space which are included as operating lease ROU assets and lease liabilities on the statement of financial position. The lease terms expire over various terms through 2031 and require monthly payments ranging from \$1,066 to \$24,188. One of the office leases provides the Society allowances totaling \$100,000 for renovation and refurbishment. Rent expense totaled \$252,058 for the year ended December 31, 2022.

On July 1, 2008, the Society commenced subleasing a portion of the office space to another institution under a non-cancelable agreement, which expired July 30, 2020. The agreement has subsequently been renewed for additional one-year periods and has been renewed through July 30, 2023. The agreement requires rentals of \$15,075 per year. Future minimum rent payments due to the Society total \$8,794 as of December 31, 2023.

At December 31, 2022, the weighted average remaining lease term under the leases is 8.82 years. At December 31, 2022, the weighted average discount rate with respect to the leases was 2.14%.

**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note I - Commitments and Contingencies (Continued)**

Operating Leases (Continued)

At December 31, 2022, the future lease payments under operating leases and the net present value of the future lease payments, as discounted using risk free rates, are as follows:

<u>Year ending December 31,</u>	
2023	\$ 268,097
2024	260,533
2025	288,533
2026	293,369
2027	291,236
Thereafter	<u>1,151,327</u>
Total lease payments	2,553,095
Less present value discount	<u>235,839</u>
Present value of future minimum lease payments	<u>\$ 2,317,256</u>

**Note J - Retirement Plan**

The Society participates in the County Employee Retirement System of the Commonwealth of Kentucky ("CERS"). CERS is a cost-sharing multiple-employer public employee retirement system which covers all eligible full-time employees. Vesting begins after five years upon entry into CERS. CERS also provides death and disability benefits. Benefits are established by state statute.

Covered employees are required to contribute 5.00% of their salary to the plan. Covered employees who begin participation on or after September 1, 2008 are required to contribute 6.00% of their salary to be allocated as follows: 5.00% to the member's account and 1.00% to the KRS insurance fund. The Society's contribution rate for the employees was 26.95% through June 2022. The rate decreased to 26.79% beginning July 2022.

The Society's contribution to CERS for the year ended December 31, 2022 amounted to \$708,568.

The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan are borne by the remaining participating employers. As of June 30, 2022 (the most recent information available), the Society's unfunded net pension liability in CERS was \$7,028,192.



**Legal Aid Society, Inc.**  
**Notes to Financial Statements (Continued)**  
**Year Ended December 31, 2022**

**Note K - Board Mandated Cash Operating Reserve**

The Board of Legal Aid Society mandates that the Society maintain an operating reserve of a minimum of three months operating expenses (less non-cash expenses such as donated services and depreciation), but no less than the prior year calculation. At December 31, 2022, the mandated operating reserve was \$1,481,454. This reserve is included in the certificates of deposit and savings accounts of the Society.

**Additional Information**

Legal Aid Society, Inc.  
**Schedules of Support, Revenue, and Gains, and Expenses**  
**and Losses by Funding Source - Net Assets Without Donor Restrictions**  
**Year Ended December 31, 2022**

	2022					Comparative only 2021
	Net assets without donor restrictions					Total
	Access to justice	Annual campaign	Filing fees	Miscellaneous unrestricted	Total	
Support, revenue, and gains						
Grants and contracts	\$ 68,040	\$ -	\$ -	\$ -	\$ 68,040	\$ 85,280
Contributions	-	469,288	-	100,000	569,288	454,151
Special event revenue	-	-	-	-	-	35,205
Filing fees	-	-	540,333	-	540,333	477,174
Justice Cabinet	-	-	-	-	-	3,388
Interest on lawyers trust accounts	-	-	-	136,080	136,080	117,260
CY Pres Award	-	-	-	19,590	19,590	86,418
Interest income	-	-	-	1,428	1,428	2,342
Gain (loss) on investments	-	-	-	(1,670)	(1,670)	985
Gain on disposal of equipment	-	-	-	8,485	8,485	-
Rent income	-	-	-	2,553	2,553	3,913
Miscellaneous	-	-	-	5,952	5,952	2,428
<b>Total support, revenue, and gains</b>	<b>68,040</b>	<b>469,288</b>	<b>540,333</b>	<b>272,418</b>	<b>1,350,079</b>	<b>1,268,544</b>
Expenses and losses						
Personnel	25,779	177,801	204,718	103,212	511,510	547,943
Employee benefits	12,285	84,735	97,563	49,188	243,771	265,231
Occupancy	2,236	15,423	17,758	8,953	44,370	62,041
Equipment expenses	588	4,054	4,667	2,353	11,662	15,126
Office supplies and expense	374	2,578	2,968	1,496	7,416	7,046
Telephone	243	1,673	1,927	971	4,814	5,989
Travel	50	343	395	199	987	1,617
Training	205	1,413	1,627	820	4,065	2,316
Insurance	230	1,587	1,828	921	4,566	5,394
Library	153	1,055	1,215	612	3,035	5,183
Dues and fees	1,323	9,124	10,505	5,296	26,248	15,440
Litigation	108	745	858	432	2,143	2,411
Audit and payroll services	198	1,364	1,571	792	3,925	5,664
Consultants and contract services	1,921	13,249	15,255	7,691	38,116	36,171
Advertising and public relations	211	1,455	1,675	845	4,186	5,825
Depreciation	1,260	8,691	10,007	5,046	25,004	24,036
Office of KY legal services program	2,095	14,446	16,633	8,386	41,560	43,849
Bank and investment fees	20	136	157	79	392	523
Miscellaneous office expense	362	2,494	2,872	1,447	7,175	21,156
<b>Total expenses and losses</b>	<b>49,641</b>	<b>342,366</b>	<b>394,199</b>	<b>198,739</b>	<b>984,945</b>	<b>1,072,961</b>
Support, revenue, and gains over expenses and losses	18,399	126,922	146,134	73,679	365,134	195,583
Subsidy (to) from unrestricted funds for excess expenditures	(18,399)	(176,016)	(146,134)	(73,679)	(414,228)	(380,658)
<b>Total support, revenue, and gains over expenses and losses and subsidy</b>	<b>\$ -</b>	<b>\$ (49,094)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (49,094)</b>	<b>\$ (185,075)</b>

See independent auditor's report.

Legal Aid Society, Inc.  
Schedules of Support and Revenue, Expenses,  
and Changes in Net Assets with Donor Restrictions - LSC Funds  
Year Ended December 31, 2022

	2022					Comparative only 2021
	Basic	Private attorney involvement	TIG	LSC ProBono		Total
				Innovation Grant	Total	
Support and revenue						
Legal Services Corporation	\$ 1,423,130	\$ 203,304	\$ 21,899	\$ 155,718	\$ 1,804,051	\$ 1,463,445
Donated legal services	-	569,797	-	-	569,797	217,047
Interest income	1,983	316	-	-	2,299	2,143
Grants and contracts	-	5,485	-	-	5,485	-
(Loss) gain on investments	(2,319)	(370)	-	-	(2,689)	901
File fees	-	-	-	-	-	68,168
Rent income	3,545	566	-	-	4,111	3,580
Other	6,708	1,070	-	-	7,778	3,342
<b>Total support and revenue</b>	<b>1,433,047</b>	<b>780,168</b>	<b>21,899</b>	<b>155,718</b>	<b>2,390,832</b>	<b>1,758,626</b>
Expenses						
Personnel	850,395	118,915	866	87,488	1,057,664	1,026,018
Employee benefits	405,277	56,672	413	41,695	504,057	496,638
Rent, utilities, and building maintenance	74,728	11,925	-	9,434	96,087	104,460
Equipment expenses	19,641	3,134	-	4,949	27,724	25,679
Office supplies and expense	12,491	3,202	-	3,981	19,674	11,863
Telephone	8,108	1,294	-	1,024	10,426	10,085
Travel	1,661	461	-	317	2,439	2,720
Training	6,847	2,744	595	7,386	17,572	4,325
Insurance	7,691	1,227	-	971	9,889	9,081
Library	5,111	816	-	645	6,572	8,727
Dues and fees	526	3	-	3	532	11,615
Litigation	3,609	1,275	-	737	5,621	4,191
Audit and payroll services	6,610	1,055	-	834	8,499	9,535
Consultants and contract services	38,858	31,550	20,025	8,449	98,882	43,357
Advertising and public relations	6,888	1,099	-	933	8,920	8,401
Donated services expenses	-	569,797	-	-	569,797	217,047
Bank fees	659	105	-	83	847	881
Miscellaneous office expense	2,357	457	-	812	3,626	1,936
<b>Total expenses</b>	<b>1,451,457</b>	<b>805,731</b>	<b>21,899</b>	<b>169,741</b>	<b>2,448,828</b>	<b>1,996,559</b>
Support and revenue over (under) expenses	(18,410)	(25,563)	-	(14,023)	(57,996)	(237,933)
Subsidy (to) from unrestricted funds for excess expenditures	18,410	25,563	-	14,023	57,996	166,141
Support and revenue over (under) expenses and subsidy	-	-	-	-	-	(71,792)
Net assets, beginning of year	-	-	-	-	-	71,792
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditor's report.

Legal Aid Society, Inc.  
Schedules of Support and Revenue, and Expenses  
by Funding Source - Net Assets With Donor Restrictions - Other Purpose Restrictions  
Year Ended December 31, 2022

	Other purposes restrictions									Comparative
	Domestic relations advocacy	Housing & government benefits	Economic stability advocacy	Health & vulnerable populations	Brief services/intake	Root to Rise	Populations with special disabilities	Endowment earnings	Total	only 2021 Total
<b>Support and revenue</b>										
Grants										
Louisville Metro Government	\$ -	\$ 272,115	\$ 18,882	\$ 36,395	\$ 2,013	\$ -	\$ 56,034	\$ -	\$ 385,439	\$ 874,153
KEJC (KHC)	-	314,739	-	-	-	-	-	-	314,739	-
KIPDA	-	61,451	-	-	5,677	-	-	-	67,128	52,386
LTADD	-	-	-	-	15,096	-	-	-	15,096	14,482
JCPS	-	-	-	38,962	-	-	-	-	38,962	-
United Way	48,314	9,645	-	8,789	-	-	-	-	66,748	59,963
Child Support Hotline	130,764	-	-	-	-	-	-	-	130,764	129,461
Internal Revenue Service	-	-	86,002	-	-	-	-	-	86,002	96,648
Louisville Bar Foundation	-	-	-	38,000	-	-	-	-	38,000	30,000
VAWA	215	-	-	-	-	-	-	-	215	-
Goodwill	-	-	240,988	-	-	-	-	-	240,988	39,498
Louisville Urban League	-	-	10,000	-	-	-	-	-	10,000	-
Doctors and Lawyers for Kids	-	-	-	49,065	-	-	-	-	49,065	50,771
VOCA	598,175	-	-	-	-	-	-	-	598,175	767,656
COSSAP	-	-	-	66,700	-	-	-	-	66,700	11,033
Equal Justice Works - Americorps	-	-	-	56,092	-	-	-	-	56,092	54,151
HIV/AIDS legal project funds	-	-	-	79,405	-	-	-	-	79,405	55,983
Donated services	-	-	515	-	-	-	-	-	515	3,150
Contributions	50	-	1,000	46,970	-	675,584	25,000	-	748,604	94,074
Special event revenue, net	-	-	-	-	-	54,461	-	-	54,461	-
Attorney fees	-	1,000	500	-	-	-	-	-	1,500	-
Interest income	1,399	1,330	705	797	276	66	130	16	4,719	4,553
Gain (loss) on investments	(1,637)	(1,556)	(825)	(933)	(323)	(77)	(152)	-	(5,503)	1,909
Rent income	2,502	2,378	1,261	1,426	494	117	232	-	8,410	7,581
Other	4,734	4,499	2,386	2,697	935	222	440	-	15,913	3,402
<b>Total support and revenue</b>	<b>784,516</b>	<b>665,601</b>	<b>361,414</b>	<b>424,365</b>	<b>24,168</b>	<b>730,373</b>	<b>81,684</b>	<b>16</b>	<b>3,072,137</b>	<b>2,350,854</b>
<b>Expenses</b>										
Personnel	488,510	498,261	246,881	320,750	46,723	28,227	55,055	-	1,684,407	1,446,592
Fringe benefits	232,812	237,459	117,658	152,862	22,267	13,452	26,238	-	802,748	700,216
Rent, utilities, and building maintenance	52,738	50,116	26,585	30,050	10,417	10,211	4,897	-	185,014	168,466
Equipment expense	13,861	13,272	8,577	7,898	2,738	650	1,287	-	48,283	48,941
Office supplies and expense	9,458	8,654	4,626	6,785	1,741	413	819	-	32,496	28,747
Telephone	5,722	5,438	2,885	3,260	1,130	268	531	-	19,234	16,264
Travel	3,368	3,097	1,096	1,736	232	55	109	-	9,693	6,306
Training	9,675	7,112	16,308	6,740	955	226	749	-	41,765	11,559
Insurance	5,427	5,158	2,736	3,093	1,072	254	504	-	18,244	14,646
Library	5,615	3,978	1,860	2,055	713	169	335	-	14,725	20,121
Dues and fees	165	264	142	443	3	1	31	-	1,049	3,711
Litigation	24,354	6,835	22,643	4,968	503	119	301	-	59,723	36,145
Audit and payroll services	4,665	4,433	2,352	2,658	921	219	433	-	15,681	15,377
Consultants and contract services	63,724	26,060	13,824	15,626	5,417	1,285	2,547	-	128,483	94,163
Advertising and public relations	4,861	4,619	2,450	2,770	960	228	451	-	16,339	13,620
Donated services	-	-	515	-	-	-	-	-	515	3,150
Bank Fees	465	442	234	265	92	22	43	-	1,563	1,421
Miscellaneous office expense	2,202	1,969	1,149	1,393	399	95	188	-	7,395	9,415
<b>Total expenses</b>	<b>927,622</b>	<b>877,167</b>	<b>472,521</b>	<b>563,352</b>	<b>96,283</b>	<b>55,894</b>	<b>94,518</b>	<b>-</b>	<b>3,087,357</b>	<b>2,638,860</b>
Support and revenue (under) over expenses	(143,106)	(211,566)	(111,107)	(138,987)	(72,115)	674,479	(12,834)	16	(15,220)	(288,006)
Subsidy (to) from unrestricted funds for excess expenditures	129,601	(785)	111,107	31,360	72,115	-	12,834	-	356,232	214,517
Support and revenue (under) over expenses and subsidy	(13,505)	(212,351)	-	(107,627)	-	674,479	-	16	341,012	(73,489)
Net assets, beginning of year	13,505	212,351	-	107,627	-	-	-	84	333,567	407,056
Net assets, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 674,479	\$ -	\$ 100	\$ 674,579	\$ 333,567

See independent auditor's report.

## **Supplementary Information**

**Legal Aid Society, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

Federal grantor/pass through grantor/program or cluster title	Pass-through number	Federal CFDA number	Federal grant award	Federal expenditures	Passed through to subrecipients
<b>Federal Government Grant:</b>					
Legal Services Corporation (major program)		9.61801	\$ 1,626,434	\$ 1,626,434	\$ -
Legal Services Corporation (technology - 14003)			35,000	21,899	-
Legal Services Corporation (pro bono)			285,165	155,718	-
<b>Total from Legal Services Corporation</b>			<u>1,946,599</u>	<u>1,804,051</u>	<u>-</u>
<b>Department of the Treasury:</b>					
Low income taxpayer clinics		21.008	100,000	86,002	-
Passed through Kentucky Equal Justice Center					
July 1, 2022 to June 30, 2023		21.023	347,090	314,739	-
<b>Total from Department of Treasury</b>			<u>447,090</u>	<u>400,741</u>	<u>-</u>
<b>Department of Housing and Urban Development:</b>					
Passed through Louisville/Jefferson County Metro Government					
Housing Opportunities for person with AIDS		14.241			
July 1, 2021 to June 30, 2022	KYH21-F001		38,500	7,543	-
July 1, 2022 to June 30, 2023	KYH22-F001		87,000	28,852	-
Emergency Solutions Grant		14.231			
Homeless Assistance					
July 1, 2021 to June 30, 2022	E-21-MC-21-0008		30,000	11,327	-
July 1, 2022 to June 30, 2023	E-21-MC-21-0008		29,800	26,232	-
Community Development Block Grant					
Tenant Assistance		14.218			
July 1, 2021 to June 30, 2022	KYH22-F001		20,000	20,000	-
Community Development Block Grant					
Housing Counseling		14.218			
July 1, 2021 to June 30, 2022			26,700	4,535	-
COVID-19 Housing Protection Project & Eviction Liaison Project		93.224			
July 1, 2020 to June 30, 2022	E-20-MW-21-0008		679,500	173,351	-
Total passed through the Louisville/Jefferson County Metro Government			<u>911,500</u>	<u>271,840</u>	<u>-</u>
<b>Total from Department of Housing and Urban Development</b>			<u>911,500</u>	<u>271,840</u>	<u>-</u>

See independent auditor's report and notes.

**Legal Aid Society, Inc.**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2022**

Federal grantor/pass through grantor/program or cluster title	Pass-through number	Federal CFDA number	Federal grant award	Federal expenditures	Passed through to subrecipients
<b>Department of Veterans Affairs:</b>					
Passed through the Volunteers of America Veterans Affairs Grant		64.03	\$ 5,000	\$ 1,350	\$ -
October 1, 2021 to September 30, 2022			5,000	1,350	-
Total passed through the Volunteers of America			365,345	7,893	-
Staff Sergeant Parker Gordon Fox Suicide Prevention		64.055	370,345	9,243	-
<b>Total from Department of Veterans Affairs</b>					
<b>Department of Health and Human Services:</b>					
Passed through the Kentuckiana Regional Planning and Development Agency		93.044	42,500	25,695	-
Special Programs for Aging, Title III-B	PON2-725-2000002717		49,998	32,233	-
July 1, 2021 to June 30, 2022	PON3-725-200000036		8,435	2,520	-
July 1, 2022 to June 30, 2023	PON2-725-1900000633	93.052	12,250	1,010	-
National Family Caregiver Support, Title III-E	PON3-725-200000036		113,183	61,458	-
July 1, 2021 to June 30, 2022					
July 1, 2022 to June 30, 2023					
Total passed through the Kentuckiana Regional Planning and Development Agency					
Passed through the Lincoln Trail Area Development District		93.044	41,160	7,357	-
Special Programs for Aging, Title III-B Legal Aid Services	LTADD-05/FY'22		24,000	7,739	-
July 1, 2021 to June 30, 2022	LTADD/FY'23		65,160	15,096	-
July 1, 2022 to June 30, 2023					
Total passed through the Lincoln Trail Area Development District					
Passed through the Lexington- Fayette County Health Department		93.917	85,000	32,889	-
HIV Care Formula Grant	22 176 270005		125,000	46,515	-
July 1, 2021 to June 30, 2022	23 176 270005		210,000	79,404	-
July 1, 2022 to June 30, 2023					
Total passed through the Lexington- Fayette County Health Department					
Passed through the Kentucky Cabinet for Health and Family Services		93.597	134,825	39,229	-
Child Support Advice Hotline	PON2 727 2000001972		100,000	91,534	33,069
July 1, 2021 to June 30, 2022	PON2 727 2000001972		234,825	130,763	33,069
July 1, 2022 to June 30, 2023			623,168	286,721	33,069
Total passed through the Kentucky Cabinet for Health and Family Services					
<b>Total from Department of Health and Human Services</b>					

See independent auditor's report and notes.



**Legal Aid Society, Inc.**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended December 31, 2022**

Federal grantor/pass through grantor/program or cluster title	Pass-through number	Federal CFDA number	Federal grant award	Federal expenditures	Passed through to subrecipients
<b>Department of Justice:</b>					
Passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet					
Victim of Crimes Assistance Formula Grant		16.575			
October 1, 2021 to September 30, 2022	VOCA-2021-Legal Aid -00124		\$ 610,684	\$ 148,349	\$ -
October 1, 2022 to September 30, 2023	VOCA-2022-Legal Aid -00015		488,547	449,829	-
Comprehensive Opioid, Stimulant, and Substance Abuse Program					
October 1, 2022 to September 30, 2023	DG-KCARE-COSSAP-2019-LegalAi-00007	16.838	182,302	66,700	-
Total passed through the Commonwealth of Kentucky Justice and Public Safety Cabinet					
			1,281,533	664,878	-
Passed through Equal Justice Works-Americorps					
June 15, 2022 to August 31, 2023	2020-OVC-EJP-008	16.582	117,230	33,682	-
Passed through Kentucky Justice and Public Safety Cabinet					
	VAWA-2021Legal-Ai-00039	16.588	10,000	5,700	-
<b>Total from Department of Justice</b>					
			1,408,763	704,260	-
<b>Department of Education:</b>					
Passed through Jefferson County Board of Education					
July 1, 2022 to June 30, 2023	G2ZSLJQNXM72		184,720	38,962	-
<b>Total from Department of Education</b>					
			184,720	38,962	-
<b>Total</b>					
			\$ 5,892,185	\$ 3,515,818	\$ 33,069

See independent auditor's report and notes.

**Legal Aid Society, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2022**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Legal Aid Society, Inc. (the "Society") under programs of the federal government for the year ended December 31, 2022. 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"). Because the schedule presents only a selected portion of the operations of the Society, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Society.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein some types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Society does not use the 10% de minimis indirect rate allowed in the Uniform Guidance, section 414.



**Independent Auditor's 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 Directors  
Legal Aid Society, Inc.

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 financial statements of Legal Aid Society, Inc. which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Legal Aid Society, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Society, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Society, Inc.'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 financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a 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 internal control 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.

MCM CPAs & Advisors LLP

www.mcmcpa.com  
888.587.1719

A Member of PrimeGlobal - An Association  
of Independent Accounting Firms

**Kentucky**  
**Indiana**  
**Ohio**

**Independent Auditor's 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)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Legal Aid Society, Inc.'s financial statements are free from 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*.

**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.



Louisville, Kentucky

June 7, 2023



**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

Board of Directors  
Legal Aid Society, Inc.

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Legal Aid Society, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Legal Aid Society, Inc.'s major federal programs for the year ended December 31, 2022. Legal Aid Society, Inc.'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, Legal Aid Society, Inc. complied, in all material respects, with the 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, 2022.

***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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Legal Aid Society, Inc. 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 Legal Aid Society, Inc.'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 Legal Aid Society Inc.'s federal programs.

MCM CPAs & Advisors LLP

www.mcmcpa.com  
888.587.1719

A Member of PrimeGlobal - An Association  
of Independent Accounting Firms

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

***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 Legal Aid Society, Inc.'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance 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 Legal Aid Society, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 Legal Aid Society, Inc.'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 Legal Aid Society, Inc.'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, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Society, Inc.'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.

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance in Accordance with the Uniform Guidance (Continued)**

***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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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. Accordingly, this report is not suitable for any other purpose.



Louisville, Kentucky

June 7, 2023

**Legal Aid Society, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended December 31, 2022**

**Section I - Summary of Audit Results (Under Section 515(d)(1) of the Uniform Guidance)**

Financial Statements

- i. An unmodified opinion was issued on the audit of the financial statements of Legal Aid Society, Inc. (the "Society") for the year ended December 31, 2022.
- ii. No significant deficiencies or material weaknesses were reported that related to internal control over financial statements.
- iii. The audit did not disclose any noncompliance which is material to the financial statements of the Society.

Federal Awards

- iv. No significant deficiencies or material weaknesses were reported that related to internal control over the major programs.
- v. An unmodified opinion was issued on compliance for the major federal programs of the Society for the year ended December 31, 2022.
- vi. The audit did not disclose audit findings required to be reported in accordance with Uniform Guidance Section 516(a).
- vii. The major program of the Society for the year ended December 31, 2022 is:

<u>Program title</u>	<u>CFDA number</u>
Legal Services Corporation (LSC)	09.618010

- viii. The dollar threshold to distinguish between Type A and Type B programs was \$750,000 as described in Section 200.518 of the Uniform Guidance.
- ix. The auditee did not qualify as a low-risk auditee under Section 200.520 of the Uniform Guidance.

**Section II - Financial Statement Findings (Under Section 515(d)(2) of the Uniform Guidance)**

None

**Section III - Federal Award Findings and Questioned Costs (Under Section 516(a) of the Uniform Guidance)**

None



**Legal Aid Society, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2022**

**Financial Statement Findings (Under Section 515(d)(2) of the Uniform Guidance)**

None

**Federal Award Findings and Questioned Costs (Under Section 516(a) of the Uniform Guidance)**

None