

Northern Kentucky Legal Aid Society, Inc.
(DBA Legal Aid of the Bluegrass)
LSC Recipient Number 618004

Financial Statements with Supplementary Information
December 31, 2016 and 2015, and
Independent Auditors' Report

NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)
December 31, 2016 and 2015

Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 18
Supplementary Information:	
Schedule of Expenditures of Federal Awards	19 - 21
Statement of Activities – Unrestricted Net Assets - Summary	22
Statement of Activities – Unrestricted Net Assets - Detail	23 - 28
Summary of Funding	29 - 30
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 <i>Government Auditing Standards</i>	31 - 32
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance and Legal Service Corporation's Audit Guide and Compliance Supplement	33 - 34
Schedule of Findings and Questioned Costs	35
Summary of Schedule of Prior Year Audit Findings	36

Independent Auditors' Report

To the Board of Directors
Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass)
Covington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass) as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Additionally, the supplemental schedules on pages 22 - 30 are presented for purpose of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2017, on our consideration of Northern Kentucky Legal Aid Society, Inc.'s (DBA Legal Aid of the Bluegrass) 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 the Northern Kentucky Legal Aid Society, Inc.'s (DBA Legal Aid of the Bluegrass) internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

April 25, 2017
Crestview Hills, Kentucky

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Statements of Financial Position
December 31, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents	\$ 1,253,820	\$ 1,193,813
Accounts receivable	276,270	179,009
Contributions receivable, net	1,393,989	333,794
Prepaid expenses	45,815	38,959
Client escrow funds	4,053	4,169
Property and equipment, net	1,458,464	1,398,083
Total assets	\$ 4,432,411	\$ 3,147,827
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 75,126	\$ 40,658
Accrued compensated absences	71,384	73,736
Accrued payroll and payroll taxes	129,157	139,174
Client trust deposits	4,053	4,169
Deferred revenue	59,710	89,867
Notes payable	564,993	636,332
Total liabilities	904,423	983,936
Net Assets		
Unrestricted:		
Net investment in property and equipment	893,471	761,751
Operations	854,251	801,424
Total unrestricted net assets	1,747,722	1,563,175
Temporarily restricted	1,780,266	600,716
Total net assets	3,527,988	2,163,891
Total liabilities and net assets	\$ 4,432,411	\$ 3,147,827

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Statement of Activities
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contracts	\$ 3,713,639	\$ -	\$ 3,713,639
Interest and other income	1,759	-	1,759
Capital campaign contributions	-	-	-
Other contributions	292,886	1,538,295	1,831,181
Rental income	22,279	-	22,279
Donated legal services	250,560	-	250,560
Net assets released from restrictions	358,745	(358,745)	-
Total support and revenue	4,639,868	1,179,550	5,819,418
Expenses			
Salaries and benefits:			
Lawyers	1,279,704	-	1,279,704
Non-lawyers	898,990	-	898,990
Lawyer's salaries - donated	250,560	-	250,560
Employee benefits	820,218	-	820,218
Total salaries and benefits	3,249,472	-	3,249,472
Grant to KEJCF	54,132	-	54,132
Contract services	425,479	-	425,479
Travel	94,027	-	94,027
Space and occupancy	118,788	-	118,788
Publications, dues and fees	25,441	-	25,441
Library updates	52,428	-	52,428
Telephone	72,673	-	72,673
Depreciation	97,285	-	97,285
Office expense	98,231	-	98,231
Litigation costs	11,113	-	11,113
Equipment rental, purchase and repair	54,085	-	54,085
Interest expense	30,154	-	30,154
Seminars and training	11,893	-	11,893
Insurance	33,625	-	33,625
Bad debt expense	11,000	-	11,000
Miscellaneous expense	15,495	-	15,495
Total expenses	4,455,321	-	4,455,321
Change in net assets	184,547	1,179,550	1,364,097
Net assets, beginning of year	1,563,175	600,716	2,163,891
Net assets, end of year	\$ 1,747,722	\$ 1,780,266	\$ 3,527,988

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Statement of Activities
Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Grants and contracts	\$ 3,735,197	\$ -	\$ 3,735,197
Interest and other income	308	-	308
Capital campaign contributions	2,267	-	2,267
Other contributions	121,019	472,549	593,568
Rental income	21,630	-	21,630
Donated legal services	371,840	-	371,840
Net assets released from restrictions	314,868	(314,868)	-
Total support and revenue	<u>4,567,129</u>	<u>157,681</u>	<u>4,724,810</u>
Expenses			
Salaries and benefits:			
Lawyers	1,186,196	-	1,186,196
Non-lawyers	948,396	-	948,396
Lawyer's salaries - donated	371,840	-	371,840
Employee benefits	815,146	-	815,146
Total salaries and benefits	<u>3,321,578</u>	<u>-</u>	<u>3,321,578</u>
Grant to KEJCF	50,816	-	50,816
Contract services	403,281	-	403,281
Travel	90,648	-	90,648
Space and occupancy	110,730	-	110,730
Publications, dues and fees	24,110	-	24,110
Library updates	52,326	-	52,326
Telephone	70,715	-	70,715
Depreciation	58,546	-	58,546
Office expense	105,828	-	105,828
Litigation costs	10,066	-	10,066
Equipment rental, purchase and repair	66,669	-	66,669
Interest expense	32,409	-	32,409
Seminars and training	14,076	-	14,076
Insurance	29,976	-	29,976
Bad debt expense	13,352	-	13,352
Miscellaneous expense	18,823	-	18,823
Total expenses	<u>4,473,949</u>	<u>-</u>	<u>4,473,949</u>
Change in net assets	93,180	157,681	250,861
Net assets, beginning of year	<u>1,469,995</u>	<u>443,035</u>	<u>1,913,030</u>
Net assets, end of year	<u>\$ 1,563,175</u>	<u>\$ 600,716</u>	<u>\$ 2,163,891</u>

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Statement of Functional Expenses
Year Ended December 31, 2016**

	<u>Legal Services</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits				
Lawyers	\$ 1,190,125	\$ 65,896	\$ 23,683	\$ 1,279,704
Non-lawyers	665,253	143,507	90,230	898,990
Employee benefits	697,185	79,746	43,287	820,218
 Total salaries and related expenses	 2,552,563	 289,149	 157,200	 2,998,912
Other expenses				
Grant to KEJCF	48,177	5,955	-	54,132
Contract services	378,677	46,802	-	425,479
Travel	83,684	9,929	414	94,027
Space and occupancy	105,721	12,544	523	118,788
Publications, dues and fees	22,642	2,687	112	25,441
Library updates	46,661	5,536	231	52,428
Telephone	64,679	7,674	320	72,673
Office expense	87,426	10,373	432	98,231
Litigation costs	9,891	1,222	-	11,113
Equipment purchase, rental and repair	48,136	5,711	238	54,085
Interest expense	26,837	3,184	133	30,154
Seminars and training	10,585	1,256	52	11,893
Insurance	29,926	3,551	148	33,625
Bad debt expense	9,790	1,162	48	11,000
Miscellaneous expense	13,791	1,636	68	15,495
 Total expenses before donated services and depreciation	 3,539,186	 408,371	 159,919	 4,107,476
Donated services	222,682	27,878	-	250,560
Depreciation	86,584	10,273	428	97,285
	<u>\$ 3,848,452</u>	<u>\$ 446,522</u>	<u>\$ 160,347</u>	<u>\$ 4,455,321</u>

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

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

	<u>Legal Services</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits				
Lawyers	\$ 1,103,162	\$ 59,527	\$ 23,507	\$ 1,186,196
Non-lawyers	701,813	176,071	70,512	948,396
Employee benefits	692,874	86,545	35,727	815,146
Total salaries and related expenses	2,497,849	322,143	129,746	2,949,738
Other expenses				
Grant to KEJCF	45,226	5,590	-	50,816
Contract services	358,921	44,360	-	403,281
Travel	80,677	9,572	399	90,648
Space and occupancy	98,550	11,693	487	110,730
Publications, dues and fees	21,458	2,546	106	24,110
Library updates	46,570	5,526	230	52,326
Telephone	62,936	7,468	311	70,715
Office expense	94,187	11,175	466	105,828
Litigation costs	8,959	1,107	-	10,066
Equipment purchase, rental and repair	59,336	7,040	293	66,669
Interest expense	28,844	3,422	143	32,409
Seminars and training	12,528	1,486	62	14,076
Insurance	26,678	3,166	132	29,976
Bad debt expense	11,883	1,410	59	13,352
Miscellaneous expense	16,752	1,988	83	18,823
Total expenses before donated services and depreciation	3,471,354	439,692	132,517	4,043,563
Donated services	343,962	27,878	-	371,840
Depreciation	52,106	6,182	258	58,546
	<u>\$ 3,867,422</u>	<u>\$ 473,752</u>	<u>\$ 132,775</u>	<u>\$ 4,473,949</u>

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Statements of Cash Flows
Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 1,364,097	\$ 250,861
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	97,285	58,546
Bad debt expense	11,000	13,352
Receipts of client escrow funds held in agency transactions	13,658	20,294
Payments of client escrow funds held in agency transactions	(13,774)	(60,850)
Changes in:		
Accounts receivable	(97,261)	136,869
Contributions receivable, net	(1,071,195)	10,312
Prepaid expenses	(6,856)	(8,119)
Accounts payable	16,273	(26,074)
Accrued compensated absences	(2,352)	19,294
Accrued payroll and payroll taxes	(10,017)	25,740
Deferred revenue	(30,157)	(44,526)
	270,701	395,699
Cash flows used by investing activities		
Purchase of property and equipment	(139,471)	(62,142)
Cash flows used by financing activities		
Principal payments on notes payable	(71,339)	(69,110)
Net change in cash, cash equivalents, and restricted cash	59,891	264,447
Cash, cash equivalents, and restricted cash, beginning of year	1,197,982	933,535
Cash, cash equivalents, and restricted cash, end of year	\$ 1,257,873	\$ 1,197,982
Supplemental cash flows information		
Interest paid	\$ 30,154	\$ 32,409
Accounts payable incurred for purchase of property and equipment	\$ 18,195	\$ -

See accompanying notes to financial statements

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass, and hereinafter referred to as such); (LABG), is a non-profit organization incorporated under the laws of the Commonwealth of Kentucky organized for the purpose of providing legal assistance in non-criminal proceedings to persons financially unable to afford legal assistance and who are residents of one of thirty-three counties in Northern, Northeastern and Central Kentucky.

A substantial amount of the funds to operate LABG are obtained from grant awards from Legal Services Corporation (LSC, a non-profit corporation established by Congress to administer a nationwide legal assistance program) and through the United Way of Greater Cincinnati. LABG also receives supplemental funds from the Commonwealth of Kentucky's Access to Justice Fees (Kentucky filing fees).

LABG also receives grants under the Title III of Older Americans Act. This program is designated "Helping the Elderly with Legal and Problem Solving" (HELPS) and presently is administered through various area development districts located in LABG's service areas. The portion of the program applicable to legal services has been assigned to LABG.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). LABG 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 / Client Escrow Funds

At various times throughout the year, LABG may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Company (FDIC) insures account balances up to \$250,000 for each business depositor. Using these criteria, LABG had cash in excess of insured limits of \$790,853 and \$718,134 as of December 31, 2016 and 2015, respectively. In accordance with LSC guidelines, LSC funds in excess of FDIC limits that are not needed for immediate operating expenses have been invested in U.S. Treasury notes or bills, or other investment instruments, such as money market accounts or repurchase agreements that invest in U.S. government securities. This is accomplished through a daily sweep arrangement through the LABG's financial institution.

LABG 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.

At December 31, 2016, cash and cash equivalents of \$1,253,820 and client escrow funds of \$4,053 reported within the statement of financial position sum to the total of \$1,257,873, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. At December 31, 2015, cash and cash equivalents of \$1,193,813 and client escrow funds of \$4,169 reported within the statement of financial position sum to the total of \$1,197,982, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

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

Accounts Receivable

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. LABG begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for uncollectible accounts based on LABG's collection history, the financial stability and recent payment history of the customer and other pertinent factors. Based on these criteria, LABG has not recorded an allowance for doubtful accounts at December 31, 2016 and 2015.

Property and Equipment

Property and equipment are recorded at cost. Property and equipment acquired with LSC funds is considered to be owned by LABG while used in the program or in future authorized programs. However, LSC has a reversionary interest in these assets. LSC has the right to determine the use of any proceeds from the sale of assets purchased with its funds. Proceeds received from property and equipment sales that are earmarked as pertaining to LSC are separately identified in the supplemental schedules to these financial statements.

LABG follows the current LSC guidelines (and these guidelines approximate U.S. GAAP) of capitalizing the cost of all expenditures for property and equipment in excess of \$5,000. Depreciation of property and equipment is computed on a straight-line basis over the estimated service lives of the assets.

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.

Donated Services

Donated services valued by LABG at \$250,560 and \$371,840 were received from private attorneys and others assigned to work with staff attorneys during 2016 and 2015, respectively. These services were valued at the normal hourly rates for attorneys in LABG's practice areas. These services are recognized both as support and expense, and therefore do not affect net assets.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

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

Government Grants and Revenue Recognition

Support funded by grants is recognized as LABG performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. A receivable is recognized to the extent grant support earned exceeds cash advances. Deferred revenue is recognized to the extent cash advances exceed grant support earned.

LABG recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with normal LSC policies, LABG may use unexpended funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant, as defined. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, in the event of noncompliance by LABG with the terms of the grant. In addition, if LABG terminates its LSC grant activities, all unexpended funds are to be returned to LSC.

Under Kentucky law, LABG receives Access to Justice Fees. This funding is derived from filing fees in the Circuit and District Courts. Under this funding, LABG is required to maintain appropriate accounting of the use of these funds and refund annually all unused or uncommitted funds to the state. Management determined that the amounts earned during 2016 and 2015 were expended or committed in accordance with the requirements of this law.

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.

Income Taxes

LABG is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Kentucky law. However, LABG is subject to federal income tax on any unrelated business taxable income.

LABG's IRS Form 990 is subject to review and examination by federal and state authorities. LABG 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 and fund raising categories based upon actual time incurred by the advocates and other allocation methods.

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.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

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

Reclassifications

Certain reclassifications were made to the 2015 amounts in the supplemental statement of activities in order to be consistent with the classifications adopted for reporting in 2016. These reclassifications had no effect on the change in net assets for either period.

Effect of Adopting New Accounting Standard

In 2016, LABG adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-18, an amendment to the Statement of Cash Flows, (Topic 230). ASU 2016-18 requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. LABG included \$4,053 and \$4,169 of restricted cash in cash, cash equivalents, and restricted cash as of December 31, 2016 and 2015, respectively, on the statement of cash flows.

New Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for LABG's year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating, which will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for LABG's year ending December 31, 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for LABG's year ending December 31, 2018.

LABG is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

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

Subsequent Events

LABG has evaluated subsequent events through April 25, 2017, which is the date the financial statements were available to be issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable at December 31 consisted of the following:

	2016	2015
Bluegrass ADD	\$ 53,050	\$ 40,657
Boone County	3,057	4,955
Campbell County	5,208	3,012
FIVCO ADD	23,574	24,410
Gateway ADD	9,638	4,354
HUD	27,283	53,434
LAV	63,040	1,000
LSC	-	5,621
Northern Kentucky ADD	12,011	8,260
Other organizations and local bar associations	-	1,136
VAWA	14,007	17,015
VOCA	65,402	15,155
	\$ 276,270	\$ 179,009

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

	2016	2015
Due within one year	\$ 621,910	\$ 337,740
Due within one to five years	929,686	29,871
	1,551,596	367,611
Less unamortized discount	(112,790)	-
Less allowance for uncollectible pledges	(44,817)	(33,817)
	\$ 1,393,989	\$ 333,794

A discount rate of 4% was used for 2016.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

NOTE 3 CONTRIBUTIONS RECEIVABLE (CONTINUED)

During 2016, the Kentucky Interest on Lawyers' Trust Accounts (IOLTA) received a settlement from Bank of America for the sole purpose of providing funds to legal aid organizations in the Commonwealth of Kentucky to be used for foreclosure prevention legal assistance and community redevelopment assistance. As part of the settlement, LABG was awarded \$1,528,272, of which \$305,612 was received prior to December 31, 2016. The remaining balance is scheduled to be paid in equal annual installments of \$305,665 over the next four years, with the final payment occurring in November, 2020.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	2016	2015
Land, building and improvements	\$ 1,665,963	\$ 1,637,117
Office furniture and equipment	535,649	406,827
	2,201,612	2,043,944
Less accumulated depreciation	(743,148)	(645,861)
	\$ 1,458,464	\$ 1,398,083

NOTE 5 LINE OF CREDIT

LABG has available a \$250,000 line of credit at a bank. The line charges interest at the prime rate of 3.25% at December 31, 2016 and 2015. For the years ending December 31, 2016 and 2015, there were no borrowings on the line of credit. The line is collateralized by substantially all of LABG's assets and expires in June 2017. The line of credit has an option to renew annually.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

NOTE 6 NOTES PAYABLE

	2016	2015
<p>The Organization has a note payable to a bank which financed the purchase of a building at 104 E. 7th Street in Covington, KY. The note charges a fixed interest rate of 5% and is collateralized by the real estate. Monthly payments of principal and interest are \$4,358 until June 1, 2020.</p>	\$ 168,101	\$ 209,565
<p>The Organization has a note payable to a bank which financed the purchase of a building at 300 East Main Street in Lexington, KY. The note charges a fixed interest rate of 4.6% and is collateralized by the real estate. Monthly payments of principal and interest are \$3,411 until September 4, 2024, at which point a balloon payment of \$185,663 is due.</p>	392,818	414,820
<p>The Organization has a note payable to a bank which financed the purchase of an automobile. The note charges a fixed interest rate of 4.74% and is collateralized by the automobile. Monthly payments of principal and interest are \$691 until July 1, 2017.</p>	<div style="text-align: center;">4,074</div> <hr style="width: 100%;"/> \$ 564,993	<div style="text-align: center;">11,947</div> <hr style="width: 100%;"/> \$ 636,332

Future principal payments at December 31, 2016, are:

2017	\$ 74,762
2018	71,787
2019	75,358
2020	50,610
2021	28,100
Thereafter	264,376
	\$ 564,993

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 held the following time or purpose restrictions:

	2016	2015
Contributions receivable	\$ 297,086	\$ 331,037
IOLTA Bank of America settlement	1,423,982	139,723
IOLTA CY PRES	59,198	59,198
Veterans services	-	70,758
	\$ 1,780,266	\$ 600,716

NOTE 8 OPERATING LEASES

LABG leases office fixtures and equipment, and office space under non-cancellable operating leases during the normal course of its operations. Monthly payments on these leases range from \$168 to \$2,150 per month. Total expense related to these leases was \$43,854 and \$38,796 for 2016 and 2015, respectively.

Future annual minimum lease payments at December 31, 2016 are as follows:

2017	\$ 36,720
2018	10,800
2019	10,800
2020	10,800
2021	5,400
	\$ 74,520

LABG leases a portion of its premises to a third party. Minimum future rental income under this non-cancellable lease as of December 31, 2016 is as follows:

2017	\$ 22,950
2018	23,639
2019	24,347
2020	20,796
	\$ 91,732

NOTE 9 PRIVATE ATTORNEY INVOLVEMENT

LABG is obligated to spend certain grant dollars for private attorney involvement expenses. Also, all of the Kentucky filing fees must be used or committed during the year of receipt. LABG met all of these requirements for 2016 and 2015.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

NOTE 9 PRIVATE ATTORNEY INVOLVEMENT (CONTINUED)

The following amounts were expended for private attorney involvement, which represented approximately 15% and 18% of the LSC basic field grant for 2016 and 2015, respectively, and 30% and 33% of Kentucky filing fees for 2016 and 2015, respectively.

	2016	2015
Salaries	\$ 106,713	\$ 117,671
Fringes	39,679	52,181
Telephone	3,633	4,243
Space - rent	2,354	2,328
Space - other	4,601	4,316
Office supplies	8,392	6,298
Library	4,277	3,140
Insurance	1,681	1,799
Audit fee	759	832
Annual recognition and training of volunteers	7,123	14,440
Contractual services	43,636	58,397
	\$ 222,848	\$ 265,645

NOTE 10 KENTUCKY EQUAL JUSTICE CENTER FUND

LABG committed \$54,132 and \$50,816 for 2016 and 2015, respectively, to the Kentucky Equal Justice Center Fund (KEJCF), for expenses for services that KEJCF provided. This funding comes from the Kentucky filing fee revenue.

NOTE 11 RETIREMENT BENEFITS

Multiple-Employer Pension Plan

LABG has elected to participate in the County Employee Retirement System (CERS), employer identification number 61-1431278, pursuant to KRS 78.510 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system which covers all eligible, full-time employees and provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature. Benefit contributions and provisions are established by statute.

The plan is not required to file a Form 5500, therefore certain plan information is not required to be made publically available. The Kentucky Retirement System issues a publically available financial report that includes financial statements and required supplemental information from CERS. This report may be obtained by writing to the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124.

Non-hazardous plan members hired prior to September 1, 2008 are required to contribute five percent of annual creditable compensation, whereas those hired after this date are required to contribute six percent of annual creditable compensation with one percent of that contribution going to the KRS Insurance Fund.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Notes to Financial Statements
(Continued)**

NOTE 11 RETIREMENT BENEFITS (CONTINUED)

There is an underfunded benefit obligation associated with the plan. Plan sponsors are required to contribute annually at an actuarially determined rate to satisfy the unfunded obligation. The rate for the plan years ended June 30, 2016 and 2015, the year-end of the plan, was 12.42% and 12.75%, respectively, of participating members' compensations. The contribution requirement of LABG to the CERS for the years ended December 31, 2016 and 2015 was \$347,193 and \$320,654, respectively. There have been no significant changes that affect comparability of 2016 and 2015 contributions.

The following information is based on the financial statements of the Plan as of June 30:

	2016	2015
Actuarial value of assets	\$ 6,535,374,347	\$ 6,474,848,513
Actuarial accrued liability	11,076,456,794	10,740,325,421
Unfunded actuarial accrued liability	4,541,082,447	4,265,476,908
Total contributions received by the plan	284,106,000	298,566,000

Multiple-Employer Postretirement Benefits Other than Pension Plans

LABG has elected to participate in the Kentucky Retirement Systems Insurance Fund (KRS Insurance Fund), which is administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public post-retirement system established to provide hospital and medical insurance for members receiving benefits from CERS and other state-backed retirement systems. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The dollar amount is subject to adjustment annually based on the retiree COLA and the Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Some spouse and dependents also qualify for the same proportion of coverage. The amount of contributions paid by the KRS Insurance Fund is based on a member's years of service. Effective January 1, 2013, the self-funding of healthcare benefits for most KRS Medicare eligible retirees ceased and these services were contracted through a fully-insured Medicare Advantage Plan with Humana Insurance Company.

Plan sponsors are required to contribute annually at an actuarially determined rate. The rate as of June 30, 2016 and 2015, the year end of the plan, was 4.64% and 4.92%, respectively, of participating members' compensations. The contribution requirement of LABG to the KRS Insurance Fund for the years ended December 31, 2016 and 2015 was \$90,962 and \$88,266, respectively. There have been no significant changes that affect comparability of 2016 and 2015 contributions.

NOTE 12 SIGNIFICANT CONCENTRATIONS

Accounting principles general accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. During 2016 and 2015, 26% and 31% of all LABG's support and revenue was received from LSC, respectively.

SUPPLEMENTARY INFORMATION

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Legal Services Corporation	09.618004	KY-10 618004	<u>\$ 1,495,913</u>
U.S. Department of Health and Human Services			
<i>Passed through Bluegrass Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	AS-2015-2016 & PON2 725 1600003968 3	40,245
<i>Passed through Buffalo Trace Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	015-016-003, 016-017-005	9,587
<i>Passed through FIVCO Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 1600001203-1	9,441
Title III-B - Ombudsman of Older Americans	93.044	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 1600001203-1	15,606
<i>Passed through Gateway Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	LEGAL-FY16-01 & LEGAL-FY17-01	21,863
Title III-B - Ombudsman of Older Americans	93.044	LEGAL-FY16-01 & LEGAL-FY17-01	15,048
<i>Passed through Northern Kentucky Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	HS-A-15 & HS-A-17	<u>29,739</u>
Total for CFDA 93.044			<u>141,529</u>
<i>Passed through Bluegrass Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	AS-2015-2016 & AS-2016-2017	100,771
SHIP Performance Grant (Consolidated Appropriations Act)	93.324	AS-2015-2016	11,092
<i>Passed through FIVCO Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 160000 1180	24,813
<i>Passed through Northern Kentucky Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	HS-A-15 & HS-A-16	<u>55,141</u>
Total for CFDA 93.324			<u>191,817</u>
<i>Passed through Bluegrass Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	AS-2015-2016 & PON2 725 1700000423 1	45,742

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2016**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>Passed through FIVCO Area Development District:</i> Medicare Improvements for Patients and Providers Act MIPPA	93.071	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 1700000082 1	15,246
<i>Passed through Northern Kentucky Area Development District:</i> Medicare Improvements for Patients and Providers Act MIPPA	93.071	HS-A-15 & HS-A-17	33,795
Total for CFDA 93.071			94,783
<i>Passed through FIVCO Area Development District:</i> Title VII of Older Americans Act - Elder Abuse	93.041	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 1600001202-1	2,474
<i>Passed through Gateway Area Development District:</i> Title VII of Older Americans Act - Elder Abuse	93.041	LEGAL-FY16-01 & LEGAL-FY17-01	1,512
Total for CFDA 93.041			3,986
<i>Passed through FIVCO Area Development District:</i> Title VII of Older Americans Act - Ombudsman	93.042	LAB PON2 725 140000-1066- 1073-1168-1161-1158 & LAB PON2 725 1600001202-1	4,139
<i>Passed through Gateway Area Development District:</i> Title VII of Older Americans Act - Ombudsman	93.042	LEGAL-FY16-01 & LEGAL-FY17-01	2,531
Total for CFDA 93.042			6,670
<i>Passed through the National Council on Aging:</i> Medicare Improvements for Patients and Providers Act Benefits Enrollment Center	93.518	90M10002/01	50,000
Total U.S. Department of Health and Human Services			488,785
U.S. Department of Housing and Urban Development			
<i>Passed through Western TN:</i> HUD	14.169	HC150011023 & HC160011009	56,277
<i>Passed through Western TN:</i> Counseling (NFMC)	21.000	N/A	2,520
Total U.S. Department of Housing and Urban Development			58,797
U.S. Department of Justice			
<i>Direct Award:</i> Department of Justice LAV Grant	16.524	2015-WL-AX-0028	216,117
<i>Passed through Kentucky Department of Justice:</i> Violence Against Women Act STOP	16.588	VAWA-2015-Legal Ai-00448	135,528
Victim of Crimes Act 1984	16.575	VOCA-2015-Legal Aid-00062 & VOCA-2016-Legal-Aid-00017	126,917
Total U.S. Department of Justice			478,562
Total Expenditures of Federal Awards			\$ 2,522,057

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2016**

NOTE 1 BASIS OF PRESENTATION

The supplementary schedule of expenditures of federal awards includes the federal grant activity of LABG for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 SUBRECIPIENTS

LABG provided no federal awards to subrecipients.

NOTE 4 INDIRECT COST RATE

LABG has not elected to use the 10% de minimis cost rate allowed under Uniform Guidance.

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Statement of Activities
Unrestricted Net Assets - Summary
December 31, 2016**

	<u>Unrestricted</u>		<u>Total</u>
	<u>Operations</u>	<u>Property</u>	
Unrestricted support and revenue	\$ 4,639,868	\$ -	\$ 4,639,868
Expenses			
Salaries and benefits:			
Lawyers	1,279,704	-	1,279,704
Non-Lawyers	898,990	-	898,990
Lawyers' salaries - donated	250,560	-	250,560
Employee benefits	820,218	-	820,218
Total salaries and benefits	<u>3,249,472</u>	<u>-</u>	<u>3,249,472</u>
Grant to KEJCF	54,132	-	54,132
Contract services	425,479	-	425,479
Travel	94,027	-	94,027
Space and occupancy	118,788	-	118,788
Publications, dues and fees	25,441	-	25,441
Library updates	52,428	-	52,428
Telephone	72,673	-	72,673
Depreciation	-	97,285	97,285
Office expense	98,231	-	98,231
Litigation costs	11,113	-	11,113
Equipment rental, purchase and repair	54,085	-	54,085
Interest expense	30,154	-	30,154
Seminars and training	11,893	-	11,893
Insurance	33,625	-	33,625
Bad debt expense	11,000	-	11,000
Miscellaneous expense	15,495	-	15,495
Total expenses	<u>4,358,036</u>	<u>97,285</u>	<u>4,455,321</u>
Change in net assets	281,832	(97,285)	184,547
Acquisition of equipment and reclassifications	(229,005)	229,005	-
Net assets, beginning of year	<u>801,424</u>	<u>761,751</u>	<u>1,563,175</u>
Net assets, end of year	<u>\$ 854,251</u>	<u>\$ 893,471</u>	<u>\$ 1,747,722</u>

See independent auditors' report

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Detail Statement of Activities
December 31, 2016**

	American College of Bankruptcy	BEC SHIP Funding	Title III Bluegrass	MIPPA Bluegrass	SHIP HCFA Bluegrass	SHIP Performance Bluegrass	Boots on the Ground	BRADD SHIP	Title III Buffalo Trace	Butler Foundation	Capital Campaign	Capital Campaign Lexington
Support and revenue												
Grants and contracts	\$ 15,000	\$ 50,000	\$ 40,245	\$ 45,742	\$ 100,771	\$ 11,092	\$ 5,000	\$ 2,236	\$ 9,587	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	-	2,019	-	3,683
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	15,000	50,000	40,245	45,742	100,771	11,092	5,000	2,236	9,587	2,019	-	3,683
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and benefits												
Lawyers	-	-	31,581	8,934	6,734	-	-	-	9,357	-	-	-
Non-lawyers	-	27,426	2,446	32,930	85,603	11,030	2,582	-	-	-	-	-
Employee benefits	-	4,619	6,218	2,026	781	62	78	-	230	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	-	32,045	40,245	43,890	93,118	11,092	2,660	-	9,587	-	-	-
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	10,388	-	1,852	1,896	-	-	2,236	-	-	-	-
Travel	-	684	-	-	-	-	24	-	-	-	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	-	-	800	-	-	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	1,769	-	-	-	-	-	-	-	-	-	-
Office expense	-	3,506	-	-	4,957	-	-	-	-	-	-	27
Litigation costs	-	-	-	-	-	-	-	-	-	2,019	-	-
Equipment purchase, rental, and repair	-	1,608	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	-	50,000	40,245	45,742	100,771	11,092	2,684	2,236	9,587	2,019	-	27
Change in net assets before equipment acquisitions and reclassifications	15,000	-	-	-	-	-	2,316	-	-	-	-	3,656
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	-	-	-	-	-	-	3,257	-	-	1,000	(12,125)	-
Prior period reallocation	-	-	-	-	-	-	-	-	-	-	12,125	-
Net assets beginning of year (reclassified)	-	-	-	-	-	-	3,257	-	-	1,000	-	-
Net assets end of year	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,573	\$ -	\$ -	\$ 1,000	\$ -	\$ 3,656

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

Supplemental Detail Statement of Activities (Continued)

December 31, 2016

	Community Chest	Covington Case	Donations	Fayette County Bar Association	Title VII FIVCO	Elder Abuse FIVCO	MIPPA FIVCO	State Ombudsman FIVCO	SHIP HCFA FIVCO	Title III FIVCO	Title III Ombudsman FIVCO
Support and revenue											
Grants and contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 4,139	\$ 2,474	\$ 15,247	\$ 28,742	\$ 24,813	\$ 9,441	\$ 15,606
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	227,275	-	35,990	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	227,275	-	35,990	5,000	4,139	2,474	15,247	28,742	24,813	9,441	15,606
Net assets released from restrictions for the purpose of satisfying the following expenses											
Salaries and benefits											
Lawyers	73,990	-	-	-	-	-	1,500	-	-	8,998	-
Non-lawyers	33,074	-	-	3,646	4,139	2,474	13,606	25,419	20,940	-	15,606
Employee benefits	40,051	-	-	1,354	-	-	141	-	2,521	443	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	147,115	-	-	5,000	4,139	2,474	15,247	25,419	23,461	9,441	15,606
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-
Contract services	11,011	-	-	-	-	-	-	3,323	-	-	-
Travel	2,631	-	-	-	-	-	-	-	696	-	-
Space and occupancy	5,266	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	13,883	-	500	-	-	-	-	-	-	-	-
Library updates	9,168	-	-	-	-	-	-	-	-	-	-
Telephone	4,233	-	-	-	-	-	-	-	-	-	-
Office expense	3,428	-	622	-	-	-	-	-	201	-	-
Litigation costs	841	-	3,919	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	6,500	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	155	-	401	-	-	-	-	-	455	-	-
Insurance	8,327	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	11,000	-	-	-	-	-	-	-	-
Miscellaneous expenses	4,559	-	3,892	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	217,117	-	20,334	5,000	4,139	2,474	15,247	28,742	24,813	9,441	15,606
Change in net assets before equipment acquisitions and reclassifications	10,158	-	15,656	-	-	-	-	-	-	-	-
Equipment acquisitions and reclassifications	(11,156)	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	272,155	11,798	-	-	-	-	-	-	-	-	-
Prior period reallocation	-	-	91,810	-	-	-	-	-	-	-	-
Net assets beginning of year (reclassified)	272,155	11,798	91,810	-	-	-	-	-	-	-	-
Net assets end of year	\$ 271,157	\$ 11,798	\$ 107,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Detail Statement of Activities (Continued)
December 31, 2016**

	Franklin County Fiscal Court	Elder Abuse Gateway	LTC State Gateway	Title III Gateway	Title III Ombudsman Gateway	Title VII Ombudsman Gateway	Haile Foundation	Heart of Kentucky United Way	HUD	IOLTA Bank of America	IOLTA CY Pres
Support and revenue											
Grants and contracts	\$ 2,500	\$ 1,512	\$ 27,373	\$ 21,863	\$ 15,048	\$ 2,531	\$ -	\$ -	\$ 56,277	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	10,500	-	1,415,268	-
Rental income	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	2,500	1,512	27,373	21,863	15,048	2,531	-	10,500	56,277	1,415,268	-
Net assets released from restrictions for the purpose of satisfying the following expenses											
Salaries and benefits:											
Lawyers	-	-	-	20,952	-	-	12,484	1,826	45,427	33,594	-
Non-lawyers	140	1,512	27,373	-	5,335	2,531	103	5,205	5,734	22,906	-
Employee benefits	1,325	-	-	911	9,713	-	17,266	2,592	5,116	65,472	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	1,465	1,512	27,373	21,863	15,048	2,531	29,853	9,623	56,277	121,972	-
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	-	-	802	-
Travel	-	-	-	-	-	-	-	348	-	1,681	-
Space and occupancy	-	-	-	-	-	-	-	13	-	6,450	-
Publications, dues and fees	-	-	-	-	-	-	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	396	-	-	-
Office expense	-	-	-	-	-	-	-	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	120	-	104	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	1,465	1,512	27,373	21,863	15,048	2,531	29,853	10,500	56,277	131,009	-
Change in net assets before equipment acquisitions and reclassifications	1,035	-	-	-	-	-	(29,853)	-	-	1,284,259	-
Equipment acquisitions and reclassifications	-	-	-	-	-	-	(40,905)	-	-	-	-
Net assets beginning of year	-	-	-	-	-	-	70,758	15,000	-	139,723	59,198
Prior period reallocation	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year (reclassified)	-	-	-	-	-	-	70,758	15,000	-	139,723	59,198
Net assets end of year	\$ 1,035	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ 1,423,982	\$ 59,198

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Detail Statement of Activities (Continued)
December 31, 2016**

	IOLTA Fellow	IOLTA Other	Kentucky Attorney General	Kentucky Filing Fee - PAI	Kentucky Filing Fee - Other	Kentucky General Fund	LAV Grant	Legal Services Corporation PAI	Services Corporation ProBono Innovation	Services Corporation ProBono Innovation- Other	Legal Services Corporation	LSC Excess 2016 Fund Balance
Support and revenue												
Grants and contracts	\$ 78,962	\$ 40,760	\$ -	\$ 94,267	\$ 662,078	\$ 149,056	\$ 216,117	\$ 80,268	\$ 2,852	\$ 35,148	\$ 1,396,503	\$ 2,336
Interest earned and other income	-	-	-	-	168	-	-	-	-	-	91	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	78,962	40,760	-	94,267	662,246	149,056	216,117	80,268	2,852	35,148	1,396,594	2,336
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and benefits												
Lawyers	43,700	14,869	-	18,059	33,596	-	119,757	1,595	2,079	9,401	446,055	-
Non-lawyers	16,340	5,025	-	33,502	22,906	-	-	27,940	-	2,358	395,069	-
Employee benefits	15,540	7,398	-	19,172	152,767	-	49,107	10,981	773	4,425	306,971	-
Total salaries and benefits	75,580	27,292	-	70,733	209,269	-	168,864	40,516	2,852	16,184	1,148,095	-
Grant to KEJCF	-	-	-	-	54,132	-	-	-	-	-	-	-
Contract services	982	7,911	-	14,681	207,429	43,326	23,169	22,101	-	-	74,260	-
Travel	-	-	-	1,676	76,810	1,291	1,527	-	-	-	5,505	-
Space and occupancy	-	1,273	-	1,682	30,681	4,571	-	4,000	-	-	64,650	-
Publications, dues and fees	-	-	-	-	7,741	2,255	-	-	-	-	-	-
Library updates	2,185	782	-	495	6,369	14,591	-	3,000	-	-	15,838	-
Telephone	-	664	-	969	23,565	151	9,588	2,000	-	-	29,115	-
Office expense	-	1,535	-	3,806	9,160	17,999	9,769	3,051	-	-	40,170	-
Litigation costs	-	-	-	-	667	-	-	-	-	-	3,667	-
Equipment purchase, rental, and repair	-	-	-	-	42,920	1,341	-	-	-	-	1,716	-
Interest	-	-	-	-	30,154	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	3,058	1,608	3,200	-	-	-	2,379	-
Insurance	-	307	-	174	12,826	-	-	1,200	-	-	10,791	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	996	-	51	1,172	-	-	4,400	-	-	425	-
Net assets released from restrictions for the purpose of satisfying expenses	78,747	40,760	-	94,267	715,953	87,133	216,117	80,268	2,852	16,184	1,396,611	-
Change in net assets before equipment acquisitions and reclassifications	215	-	-	-	(53,707)	61,923	-	-	-	18,964	(17)	2,336
Equipment acquisitions and reclassifications	-	-	-	-	(165,624)	(6,266)	-	-	-	-	-	-
Net assets beginning of year	-	-	113,198	-	221,128	93,732	-	-	-	-	148,019	-
Prior period reallocation	-	-	(113,198)	-	9,263	-	-	-	-	-	-	-
Net assets beginning of year (reclassified)	-	-	-	-	230,391	93,732	-	-	-	-	148,019	-
Net assets end of year	\$ 215	\$ -	\$ -	\$ -	\$ 11,060	\$ 149,389	\$ -	\$ -	\$ -	\$ 18,964	\$ 148,002	\$ 2,336

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Detail Statement of Activities (Continued)
December 31, 2016**

	Neighborhood Works Project	Boone County	Campbell County	Kenton County	HCFA NKADD	MIPPA NKADD	Title III NKADD	Ohio Valley United Charities	PNC Charitable Trus	PNC Foundation	Anonymous Foundation	Rental Earned Income
Support and revenue												
Grants and contracts	\$ 2,520	\$ 13,964	\$ 18,394	\$ 2,500	\$ 55,142	\$ 33,795	\$ 29,739	\$ 3,000	\$ -	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	35,000	10,000	15,000	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	22,279
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	2,520	13,964	18,394	2,500	55,142	33,795	29,739	3,000	35,000	10,000	15,000	22,279
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and Benefits												
Lawyers	-	13,684	18,122	2,500	44,513	21,390	29,374	2,148	1,488	90	2,637	-
Non-lawyers	1,588	-	-	-	8,210	12,283	-	-	11,045	1,064	-	-
Employee benefits	932	280	272	-	1,003	122	363	961	6,189	39	1,291	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	2,520	13,964	18,394	2,500	53,726	33,795	29,737	3,109	18,722	1,193	3,928	-
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	1,154	-	-	-	-	-	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	-	-	262	-	-	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	-	-	-	155	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	2,520	13,964	18,394	2,500	55,142	33,795	29,737	3,109	18,722	1,193	4,083	-
Change in net assets before equipment acquisitions and reclassifications	-	-	-	-	-	-	2	(109)	16,278	8,807	10,917	22,279
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	(2,252)	(2,802)	-	-
Net assets beginning of year	-	-	-	-	-	-	-	3,575	-	-	53,448	150,886
Prior period reallocation	-	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year (reclassified)	-	-	-	-	-	-	-	3,575	-	-	53,448	150,886
Net assets end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 3,466	\$ 14,026	\$ 6,005	\$ 64,365	\$ 173,165

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Detail Statement of Activities (Continued)
December 31, 2016**

	Service Generated Income	State of Kentucky Health Insurance	United Way of Franklin County	United Way of Greater Cinti	United Way of the Bluegrass	VAWA	VOCA	Unclassified	Total
Support and revenue									
Grants and contracts	\$ -	\$ 21,554	\$ -	\$ -	\$ -	\$ 135,528	\$ 126,917	\$ -	\$ 3,713,639
Interest earned and other income	1,500	-	-	-	-	-	-	-	1,759
Capital campaign contributions	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	6,500	-	5,000	48,685	16,261	-	-	-	1,831,181
Rental income	-	-	-	-	-	-	-	-	22,279
Donated legal services	-	-	-	-	-	-	-	250,560	250,560
Total support and revenue	8,000	21,554	5,000	48,685	16,261	135,528	126,917	250,560	5,819,418
Net assets released from restrictions for the purpose of satisfying the following expenses									
Salaries and Benefits									
Lawyers	-	-	3,728	11,025	3,658	93,219	87,640	-	1,279,704
Non-lawyers	-	-	910	-	2,589	4,133	2,268	-	898,990
Employee benefits	-	-	250	4,079	1,883	38,176	36,325	-	820,218
Donated legal services	-	-	-	-	-	-	-	250,560	250,560
Total salaries and benefits	-	-	4,888	15,104	8,130	135,528	126,233	250,560	3,249,472
Grant to KEJCF	-	-	-	-	-	-	-	-	54,132
Contract services	-	-	112	-	-	-	-	-	425,479
Travel	-	-	-	-	-	-	-	-	94,027
Space and occupancy	-	-	-	-	-	-	202	-	118,788
Publications, dues and fees	-	-	-	-	-	-	-	-	25,441
Library updates	-	-	-	-	-	-	-	-	52,428
Telephone	-	-	-	-	-	-	223	-	72,673
Office expense	-	-	-	-	-	-	-	-	98,231
Litigation costs	-	-	-	-	-	-	-	-	11,113
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	54,085
Interest	-	-	-	-	-	-	-	-	30,154
Seminars and training	-	-	-	-	-	-	258	-	11,893
Insurance	-	-	-	-	-	-	-	-	33,625
Bad debt expense	-	-	-	-	-	-	-	-	11,000
Miscellaneous expenses	-	-	-	-	-	-	-	-	15,495
Net assets released from restrictions for the purpose of satisfying expenses	-	-	5,000	15,104	8,130	135,528	126,916	250,560	4,358,036
Change in net assets before equipment acquisitions and reclassifications	8,000	21,554	-	33,581	8,131	-	-	-	1,461,381
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	(229,005)
Net assets beginning of year	1,500	47,655	-	-	8,235	-	-	-	1,402,140
Prior period reallocation	-	-	-	-	-	-	-	-	-
Net assets beginning of year (reclassified)	1,500	47,655	-	-	8,235	-	-	-	1,402,140
Net assets end of year	\$ 9,500	\$ 69,209	\$ -	\$ 33,581	\$ 16,366	\$ -	\$ -	\$ -	\$ 2,634,516

Note: Does not include capital activity.

See independent auditors' report

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Schedule – Summary of Funding
December 31, 2016**

	Period	Award Amount	Recognized in 2016
American College of Bankruptcy	11/16 - 10/16	\$ 15,000	\$ 15,000
BEC New SHIP Funding	1/15/15-1/14/16	50,000	10,000
	1/15/16-1/31/17	50,000	40,000
Bluegrass Area Development District			
Title III	07/15 - 06/16	26,830	13,415
	07/16 - 06/17	45,611	26,830
MIPPA	10/15 - 09/16	29,442	22,082
	10/16 - 09/17	96,640	23,660
SHIP	07/15 - 06/16	79,001	26,729
	04/16 - 03/17	98,719	74,042
SHIP Performance Innovation	09/14 - 02/16	77,639	11,092
Buffalo Trace Area Development District			
Title III	07/15 - 06/16	10,000	4,937
	07/16 - 06/17	9,000	4,650
FIVCO			
TITLE VII Ombudsman/Facility Prev.	07/15 - 06/16	4,188	2,094
	07/16 - 06/17	4,089	2,045
Title VII Elder Abuse	07/15 - 06/16	2,493	1,247
	07/16 - 06/17	2,454	1,227
State Long Term Care Ombudsman	07/15 - 06/16	28,806	14,403
	07/16 - 06/17	28,678	14,339
MIPPA	10/15 - 09/16	15,492	11,619
	10/16 - 09/17	14,509	3,627
Title III B Ombudsman	07/15 - 06/16	15,606	7,803
	07/16 - 06/17	15,606	7,803
SHIP	07/15 - 06/16	20,304	6,768
	04/16 - 03/17	24,060	18,045
TITLE III Legal Assistance	07/15 - 06/16	9,145	4,573
	07/16 - 06/17	9,737	4,869
Gateway Area Development District			
Elder Abuse	07/15 - 06/16	1,492	748
	07/16 - 06/17	1,539	764
LTC STATE	07/15 - 06/16	27,325	13,663
	07/16 - 06/17	27,416	13,710
Title IIIB Ombudsman	07/15 - 06/16	15,300	7,650
	07/16 - 06/17	14,800	7,398
Title IIIB Legal Assistance	07/15 - 06/16	23,300	13,500
	07/16 - 06/17	18,300	8,363
Title VII Ombudsman	07/15 - 06/16	2,506	1,252
	07/16 - 06/17	2,564	1,279

(Continued)

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Supplemental Schedule – Summary of Funding (Continued)
December 31, 2016**

	<u>Period</u>	<u>Award Amount</u>	<u>Recognized in 2016</u>
HUD Western Tennessee Legal Services	01/16 - 03/17	\$ 55,000	\$ 56,277
IOLTA	09/15 - 08/16	134,800	89,867
	09/16 - 08/17	89,565	29,855
Kentucky File Fee (Access to Justice)	01/15 - 12/15		756,348
Kentucky General Fund	01/15 - 12/15		149,056
LAV 2	10/15 - 9/18	600,000	216,117
LSC			
Legal Services Corp. Basic	01/16 - 12/16	1,456,678	1,479,106
Pro Bono Innovation	01/13 - 9/15	9,000	38,000
Neighbor Works Project (NFMC)	10/15 - 06/17	5,760	2,520
NKADD			
Boone County	07/15 - 06/16	15,000	9,072
	07/16 - 06/17	15,000	4,892
Campbell County	07/15 - 06/16	13,000	6,581
	07/16 - 06/17	13,000	11,813
Kenton County	07/15 - 06/16	2,500	-
	07/16 - 06/17	2,500	2,500
SHIP	07/15 - 06/16	41,935	15,160
	04/16 - 03/17	53,307	39,980
MIPPA	10/15 - 09/16	29,442	22,082
	10/16 - 09/17	46,853	11,713
Title III	07/15 - 06/16	26,067	3,910
	07/16 - 06/17	26,067	25,829
Ohio Valley United Charities	01/16 - 12/16	3,575	3,000
State of Kentucky Health Insurance			21,553
VAWA	01/16 - 12/16	135,528	135,528
VOCA	10/15 - 9/16	76,096	60,941
	10/16 - 9/17	384,796	65,976
Other	Various		14,785
			<u>\$ 3,713,687</u>

See independent auditors' report

**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 Directors
Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass)

We have audited, 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, the financial statements of Legal Aid of the Bluegrass (Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, have issued our report thereon dated April 25, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered LABG'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 LABG's internal control. Accordingly, we do not express an opinion on the effectiveness of LABG's internal control.

A *deficiency in internal control* exists when the 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 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 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 would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LABG's 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

April 25, 2017
Crestview Hills, Kentucky

**INDEPENDENT AUDITOR'S 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 Directors
Northern Kentucky Legal Aid Society, Inc. (DBA Legal Aid of the Bluegrass)

Report on Compliance for Each Major Federal Program

We have audited Legal Aid of the Bluegrass' (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the Compliance Supplement for Audit of LSC Recipients* that could have a direct and material effect on each of LABG's major federal programs for the year ended December 31, 2016. LABG'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LABG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *Compliance Supplement for Audit of LSC Recipients*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LABG'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 on compliance for each major federal program. However, our audit does not provide a legal determination of LABG's compliance.

Opinion on Each Major Program

In our opinion, Legal Aid of the Bluegrass complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**INDEPENDENT AUDITOR'S 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

Management of the LABG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the LABG's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LABG's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



April 25, 2017
Crestview Hills, Kentucky

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Programs or Clusters
9.618004	Legal Services Corporation

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No *

* During 2016, the Office of Inspector General (OIG) issued guidance that LSC funding recipients were automatically deemed a high-risk auditee.

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)**

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2016**

Reference Number	Summary of Finding	Status
No matters are reportable		