

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

**Financial Statements with Supplementary Information**  
**December 31, 2017 and 2016, and**  
**Independent Auditors' Report**

**NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.**  
**(DBA LEGAL AID OF THE BLUEGRASS)**  
**December 31, 2017 and 2016**

**Contents**

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	<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 - 19
Supplementary Information:	
Schedule of Expenditures of Federal Awards	20 - 22
Statement of Activities – Unrestricted Net Assets - Summary	23
Statement of Activities – Unrestricted Net Assets - Detail	24 - 29
Summary of Funding	30 - 31
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>	32 - 33
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	34 - 35
Schedule of Findings and Questioned Costs	36
Summary of Schedule of Prior Year Audit Findings	37

## 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, 2017 and 2016, 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, 2017 and 2016, 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 23 - 31 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 27, 2018, 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 27, 2018  
Crestview Hills, Kentucky

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

**Statements of Financial Position  
December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,368,401	\$ 1,253,820
Accounts receivable	318,261	276,270
Contributions receivable, net	1,081,748	1,393,989
Prepaid expenses	37,692	45,815
Client escrow funds	3,313	4,053
Property and equipment, net	1,434,967	1,458,464
Total assets	\$ 4,244,382	\$ 4,432,411
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 36,758	\$ 75,126
Accrued compensated absences	63,030	71,384
Accrued payroll and payroll taxes	111,053	129,157
Client trust deposits	3,313	4,053
Deferred revenue	79,785	59,710
Notes payable	527,635	564,993
Total liabilities	821,574	904,423
<b>Net Assets</b>		
<b>Unrestricted:</b>		
Net investment in property and equipment	907,332	893,471
Operating	1,085,264	854,251
Total unrestricted net assets	1,992,596	1,747,722
<b>Temporarily restricted</b>	1,430,212	1,780,266
Total net assets	3,422,808	3,527,988
Total liabilities and net assets	\$ 4,244,382	\$ 4,432,411

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, 2017**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Support and revenue</b>			
Grants and contracts	\$ 3,870,244	\$ -	\$ 3,870,244
Interest and other income	28,967	-	28,967
Capital campaign contributions	1,925	-	1,925
Other contributions	93,611	304,570	398,181
Rental income	22,948	-	22,948
Donated legal services	298,800	-	298,800
Net assets released from restrictions	654,624	(654,624)	-
Total support and revenue	4,971,119	(350,054)	4,621,065
<b>Expenses</b>			
Salaries and benefits:			
Lawyers	1,368,335	-	1,368,335
Non-lawyers	918,579	-	918,579
Lawyer's salaries - donated	298,800	-	298,800
Employee benefits	924,962	-	924,962
Total salaries and benefits	3,510,676	-	3,510,676
Grant to KEJCF	54,468	-	54,468
Contract services	468,990	-	468,990
Travel	89,742	-	89,742
Space and occupancy	105,803	-	105,803
Publications, dues and fees	25,560	-	25,560
Library updates	66,519	-	66,519
Telephone	63,872	-	63,872
Depreciation	97,032	-	97,032
Office expense	87,210	-	87,210
Litigation costs	12,854	-	12,854
Equipment rental, purchase and repair	27,565	-	27,565
Interest expense	24,686	-	24,686
Seminars and training	25,849	-	25,849
Insurance	34,212	-	34,212
Bad debt expense	11,629	-	11,629
Miscellaneous expense	19,578	-	19,578
Total expenses	4,726,245	-	4,726,245
<b>Change in net assets</b>	244,874	(350,054)	(105,180)
<b>Net assets, beginning of year</b>	1,747,722	1,780,266	3,527,988
<b>Net assets, end of year</b>	\$ 1,992,596	\$ 1,430,212	\$ 3,422,808

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**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Grants and contracts	\$ 3,713,639	\$ -	\$ 3,713,639
Interest and other income	1,759	-	1,759
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	<u>4,639,868</u>	<u>1,179,550</u>	<u>5,819,418</u>
<b>Expenses</b>			
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	<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>4,455,321</u>	<u>-</u>	<u>4,455,321</u>
<b>Change in net assets</b>	184,547	1,179,550	1,364,097
<b>Net assets, beginning of year</b>	<u>1,563,175</u>	<u>600,716</u>	<u>2,163,891</u>
<b>Net assets, end of year</b>	<u>\$ 1,747,722</u>	<u>\$ 1,780,266</u>	<u>\$ 3,527,988</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, 2017**

	<b>Legal Services</b>	<b>Supporting</b>	<b>Fundraising</b>	<b>Total</b>
<b>Salaries and benefits</b>				
Lawyers	\$ 1,272,552	\$ 71,524	\$ 24,259	\$ 1,368,335
Non-lawyers	679,748	133,918	104,913	918,579
Employee benefits	786,218	87,076	51,668	924,962
 Total salaries and related expenses	 2,738,518	 292,518	 180,840	 3,211,876
<b>Other expenses</b>				
Grant to KEJCF	48,477	5,991	-	54,468
Contract services	365,199	103,791	-	468,990
Travel	79,870	6,677	3,195	89,742
Space and occupancy	94,165	7,871	3,767	105,803
Publications, dues and fees	22,749	1,902	909	25,560
Library updates	59,202	4,949	2,368	66,519
Telephone	56,846	4,753	2,273	63,872
Office expense	77,616	6,489	3,105	87,210
Litigation costs	11,440	1,414	-	12,854
Equipment purchase, rental and repair	24,533	2,051	981	27,565
Interest expense	21,971	1,836	879	24,686
Seminars and training	23,006	1,923	920	25,849
Insurance	30,449	2,546	1,217	34,212
Bad debt expense	14,024	1,172	561	15,757
Miscellaneous expense	13,750	1,149	551	15,450
 Total expenses before donated services and depreciation	 3,681,815	 447,032	 201,566	 4,330,413
<b>Donated services</b>	268,920	29,880	-	298,800
<b>Depreciation</b>	86,358	7,219	3,455	97,032
	<u>\$ 4,037,093</u>	<u>\$ 484,131</u>	<u>\$ 205,021</u>	<u>\$ 4,726,245</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>
<b>Salaries and benefits</b>				
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
<b>Other expenses</b>				
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
<b>Donated services</b>	222,682	27,878	-	250,560
<b>Depreciation</b>	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)**

**Statements of Cash Flows  
Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (105,180)	\$ 1,364,097
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	97,032	97,285
Bad debt expense	11,629	11,000
Receipts of client escrow funds held in agency transactions	22,347	13,658
Payments of client escrow funds held in agency transactions	(23,087)	(13,774)
Changes in:		
Accounts receivable	(41,991)	(97,261)
Contributions receivable, net	300,612	(1,071,195)
Prepaid expenses	8,123	(6,856)
Accounts payable	(38,368)	16,273
Accrued compensated absences	(8,354)	(2,352)
Accrued payroll and payroll taxes	(18,104)	(10,017)
Deferred revenue	20,075	(30,157)
	<u>224,734</u>	<u>270,701</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows used by investing activities</b>		
Purchase of property and equipment	(37,176)	(139,471)
<b>Cash flows used by financing activities</b>		
Principal payments on notes payable	(73,717)	(71,339)
<b>Net change in cash, cash equivalents, and restricted cash</b>	113,841	59,891
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	1,257,873	1,197,982
<b>Cash, cash equivalents, and restricted cash, end of year</b>	\$ 1,371,714	\$ 1,257,873
<b>Supplemental cash flows information</b>		
Interest paid	\$ 24,686	\$ 30,154
Accounts payable incurred for purchase of property and equipment	\$ -	\$ 18,195
Notes payable incurred for purchase of property and equipment	\$ 36,359	\$ -

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 \$935,762 and \$790,853 as of December 31, 2017 and 2016, 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, 2017, cash and cash equivalents of \$1,368,401 and client escrow funds of \$3,313 reported within the statement of financial position sum to the total of \$1,371,714, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. 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.

**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, 2017 and 2016.

***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 \$298,800 and \$250,560 were received from private attorneys and others assigned to work with staff attorneys during 2017 and 2016, 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 2017 and 2016 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)**

***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 \$3,313 and \$4,053 of restricted cash in cash, cash equivalents, and restricted cash as of December 31, 2017 and 2016, 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 27, 2018, 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:

	2017	2016
Bluegrass ADD	\$ 39,960	\$ 53,050
Boone County	7,944	3,057
Campbell County	9,846	5,208
FIVCO ADD	22,950	23,574
Gateway ADD	15,191	9,638
HUD	30,965	27,283
LAV	52,345	63,040
Northern Kentucky ADD	24,590	12,011
Other organizations and local bar associations	7,585	-
VAWA	-	14,007
VOCA	106,885	65,402
	\$ 318,261	\$ 276,270

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31 consisted of the following:

	2017	2016
Due within one year	\$ 576,202	\$ 621,910
Due within one to five years	612,723	929,686
	1,188,925	1,551,596
Less unamortized discount	(101,177)	(112,790)
Less allowance for uncollectible pledges	(6,000)	(44,817)
	\$ 1,081,748	\$ 1,393,989

A discount rate of 4% was used for 2017 and 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 for years ended December 31, 2017 and 2016. The remaining balance is scheduled to be paid in equal annual installments of \$305,665 over the next three 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:

	2017	2016
Land, building and improvements	\$ 1,665,963	\$ 1,665,963
Office furniture and equipment	535,649	535,649
Construction in progress	73,534	-
	2,275,146	2,201,612
Less accumulated depreciation	(840,179)	(743,148)
	<b>\$ 1,434,967</b>	<b>\$ 1,458,464</b>

**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 4.50% and 3.75% at December 31, 2017 and 2016, respectively. For the years ending December 31, 2017 and 2016, there were no borrowings on the line of credit. The line is collateralized by substantially all of LABG's assets and expires in June 2018. 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**

	2017	2016
<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>	\$ 122,574	\$ 168,101
<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>	369,712	392,818
<p>The Organization has a note payable to finance the purchase of an automobile. No interest is charged on the note. The note is collateralized by the automobile. Monthly payments of principal are \$1,097 until November 13, 2020.</p>	35,349	-
<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>	-	4,074
	\$ 527,635	\$ 564,993

Future principal payments at December 31, 2017, are:

2018	\$ 83,497
2019	87,098
2020	63,421
2021	27,832
2022	29,158
Thereafter	236,629
	\$ 527,635

**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:

	2017	2016
Contributions receivable	\$ 296,522	\$ 297,086
IOLTA Bank of America settlement	1,094,237	1,423,982
IOLTA CY PRES	39,453	59,198
	\$ 1,430,212	\$ 1,780,266

**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 \$181 to \$2,170 per month. Total expense related to these leases was \$39,127 and \$43,854 for 2017 and 2016, respectively.

Future annual minimum lease payments at December 31, 2017 are as follows:

2018	\$	36,960
2019		37,200
2020		10,800
2021		5,400
2022		-
		\$ 90,360

LABG leases a portion of its premises to a third party. Minimum future rental income under this non-cancellable lease as of December 31, 2017 is as follows:

2018	\$	23,636
2019		24,345
		\$ 47,981

**NOTE 9 PRIVATE ATTORNEY INVOLVEMENT**

LABG is obligated to spend an amount equal to or greater than 12.5% of its Legal Services Corporation basic field grant on private attorney involvement (PAI) expenses. Also, 12.5% of the Kentucky filing fees must be used or committed for private attorney involvement activities during the year of receipt. LABG met all of these requirements for 2017 and 2016.

**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 16% and 15% of the LSC basic field grant for 2017 and 2016, respectively, and 30% and 30% of Kentucky filing fees for 2017 and 2016, respectively.

	<u>2017</u>	<u>2016</u>
Salaries	\$ 145,416	\$ 106,713
Fringes	41,915	39,679
Telephone	3,238	3,633
Space - rent	5,364	2,354
Space - other	83	4,601
Office supplies	4,431	8,392
Library	3,372	4,277
Insurance	1,750	1,681
Audit fee	-	759
Annual recognition and training of volunteers	728	7,123
Litigation	649	-
Miscellaneous expense	4,476	-
Training	1,311	-
Travel	4,550	-
Contractual services	17,594	43,636
	<u>\$ 234,877</u>	<u>\$ 222,848</u>

**NOTE 10 KENTUCKY EQUAL JUSTICE CENTER FUND**

LABG committed \$54,468 and \$54,132 for 2017 and 2016, 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.

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

**Notes to Financial Statements  
(Continued)**

**NOTE 11 RETIREMENT BENEFITS (CONTINUED)**

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.

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, 2017 and 2016, the year-end of the plan, was 13.95% and 12.42%, respectively, of participating members' compensations. The contribution requirement of LABG to the CERS for the years ended December 31, 2017 and 2016 was \$289,593 and \$256,231, respectively. There have been no significant changes that affect comparability of 2017 and 2016 contributions.

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

	<u>2017</u>	<u>2016</u>
Actuarial value of assets	\$ 6,764,873,113	\$ 6,535,374,347
Actuarial accrued liability	12,803,509,449	11,076,456,794
Unfunded actuarial accrued liability	6,038,636,336	4,541,082,447
Total contributions received by the plan	333,554,000	284,106,000

***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, 2017 and 2016, the year end of the plan, was 4.73% and 4.64%, respectively, of participating members' compensations. The contribution requirement of LABG to the KRS Insurance Fund for the years ended December 31, 2017 and 2016 was \$96,075 and \$90,962, respectively. There have been no significant changes that affect comparability of 2017 and 2016 contributions.

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

**Notes to Financial Statements  
(Continued)**

**NOTE 12 SIGNIFICANT CONCENTRATIONS**

Accounting principles general accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. During 2017 and 2016, 31% and 26% 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, 2017**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Legal Services Corporation</b>	09.618004	KY-10 618004	<u>\$ 1,420,049</u>
<b>U.S. Department of Health and Human Services</b>			
<i>Passed through Bluegrass Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	AS-2017-2018 & PON2 725 1600003968 3	31,406
<i>Passed through Buffalo Trace Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	016-017-005, 017-018-006	12,521
<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 1600001203-1 & LAB PON2 725 1700002624-1	9,737
Title III-B - Ombudsman of Older Americans	93.044	LAB PON2 725 1600001203-1 & LAB PON2 725 1700002624-1	15,605
<i>Passed through Gateway Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	LEGAL-FY18-01 & LEGAL-FY18-01	16,954
Title III-B - Ombudsman of Older Americans	93.044	LEGAL-FY18-01 & LEGAL-FY18-01	14,802
<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-17 & HS-A-18	<u>39,305</u>
Total for CFDA 93.044			<u>140,330</u>
<i>Passed through Bluegrass Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	AS-2016-2017 & AS-2017-2018	77,629
<i>Passed through FIVCO Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	LAB PON2 725 160000 1180 & LAB PON2 725 1700002623	17,203
<i>Passed through Northern Kentucky Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	HS-A-17 & HS-A-18	<u>37,707</u>
Total for CFDA 93.324			<u>132,539</u>
<i>Passed through Bluegrass Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	AS-2016-2017 & PON2 725 1700000423 1	84,893

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2017**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<i>Passed through FIVCO Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	LAB PON2 725 1700000082 1 & LAB PON2 725 18000000579	14,203
<i>Passed through the National Council on Aging:</i>			
Medicare Improvements for Patients and Providers Act Benefits Enrollment Center	93.071	90MI004-01-00	10,000
<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	49,013
Total for CFDA 93.071			<u>158,109</u>
<i>Passed through FIVCO Area Development District:</i>			
Title VII of Older Americans Act - Elder Abuse	93.041	LAB PON2 725 1600001202-1 & LAB PON2 725 1700002626-1	2,455
<i>Passed through Gateway Area Development District:</i>			
Title VII of Older Americans Act - Elder Abuse	93.041	LEGAL-FY17-01 & LEGAL-FY18-01	1,545
Total for CFDA 93.041			<u>4,000</u>
<i>Passed through FIVCO Area Development District:</i>			
Title VII of Older Americans Act - Ombudsman	93.042	LAB PON2 725 1600001202-1 & LAB PON2 725 1700002626-1	4,069
<i>Passed through Gateway Area Development District:</i>			
Title VII of Older Americans Act - Ombudsman	93.042	LEGAL-FY17-01 & LEGAL-FY18-01	2,555
Total for CFDA 93.042			<u>6,624</u>
<i>Passed through the National Council on Aging:</i>			
Medicare Improvements for Patients and Providers Act Benefits Enrollment Center	93.518	90M10002/01	48,500
Total U.S. Department of Health and Human Services			<u>490,102</u>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed through Western TN:</i>			
HUD	14.169	HC160011009 & HC170011030	62,256
Total U.S. Department of Housing and Urban Development			<u>62,256</u>
<b>U.S. Department of Justice</b>			
<i>Direct Award:</i>			
Department of Justice LAV Grant	16.524	2015-WL-AX-0028	197,481
Victim of Crimes Act 1984	16.575	VOCA-2016-Legal-Aid-00017 & VOCA-2017-Legal-Aid-00119	425,705
Total U.S. Department of Justice			<u>623,186</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,595,593</u></u>



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

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2017**

**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, 2017. 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, 2017**

	<b>Unrestricted</b>		<b>Total</b>
	<b>Operations</b>	<b>Property</b>	
<b>Unrestricted support and revenue</b>	\$ 4,971,119	\$ -	\$ 4,971,119
<b>Expenses</b>			
Salaries and benefits:			
Lawyers	1,368,335	-	1,368,335
Non-Lawyers	918,579	-	918,579
Lawyers' salaries - donated	298,800	-	298,800
Employee benefits	924,962	-	924,962
Total salaries and benefits	3,510,676	-	3,510,676
Grant to KEJCF	54,468	-	54,468
Contract services	468,990	-	468,990
Travel	89,742	-	89,742
Space and occupancy	105,803	-	105,803
Publications, dues and fees	25,560	-	25,560
Library updates	66,519	-	66,519
Telephone	63,872	-	63,872
Depreciation	-	97,032	97,032
Office expense	87,210	-	87,210
Litigation costs	12,854	-	12,854
Equipment rental, purchase and repair	27,565	-	27,565
Interest expense	24,686	-	24,686
Seminars and training	25,849	-	25,849
Insurance	34,212	-	34,212
Bad debt expense	11,629	-	11,629
Miscellaneous expense	19,578	-	19,578
Total expenses	4,629,213	97,032	4,726,245
<b>Change in net assets</b>	341,906	(97,032)	244,874
<b>Acquisition of equipment and reclassifications</b>	(110,893)	110,893	-
<b>Net assets, beginning of year</b>	854,251	893,471	1,747,722
<b>Net assets, end of year</b>	\$ 1,085,264	\$ 907,332	\$ 1,992,596

See independent auditors' report

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

**Supplemental Detail Statement of Activities  
December 31, 2017**

	American Bar Endowment	American College of Bankruptcy	BEC SHIP Funding	Title III Bluegrass	MIPPA Bluegrass	SHIP HCFA Bluegrass	Boots on the Ground	Title III Buffalo Trace	Butler Foundation	Capital Campaign	Capital Campaign Lexington
<b>Support and revenue</b>											
Grants and contracts	\$ 50,000	\$ -	\$ 61,500	\$ 31,406	\$ 84,893	\$ 77,629	\$ 3,000	\$ 12,521	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	1,925	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	4,432	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	50,000	-	61,500	31,406	84,893	77,629	3,000	12,521	4,432	1,925	-
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>											
Salaries and benefits											
Lawyers	-	10,092	13,307	19,994	969	6,360	2,995	8,975	-	-	-
Non-lawyers	-	-	15,448	2,967	52,339	42,711	-	-	-	-	-
Employee benefits	-	2,791	11,312	8,445	25,138	22,376	1,005	3,546	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	-	12,883	40,067	31,406	78,446	71,447	4,000	12,521	-	-	-
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	1,577	7,043	-	6,369	5,025	-	-	-	-	-
Travel	-	250	169	-	-	356	-	-	-	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	390	-	-	494	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	2,894	-	-	-	-	-	-	-	-
Office expense	-	250	4,660	-	78	197	-	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	432	-	-
Equipment purchase, rental, and repair	-	-	152	-	-	-	-	-	-	-	-
Recognition & Community Education	-	-	2,545	-	-	110	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	40	580	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	-	15,000	58,500	31,406	84,893	77,629	4,000	12,521	432	-	-
<b>Change in net assets before equipment acquisitions and reclassifications</b>	50,000	(15,000)	3,000	-	-	-	(1,000)	-	4,000	1,925	-
<b>Equipment acquisitions and reclassifications</b>	(6,000)	-	-	-	-	-	-	-	-	-	-
<b>Net assets beginning of year</b>	-	15,000	-	-	-	-	5,573	-	1,000	-	3,656
<b>Net assets end of year</b>	\$ 44,000	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ 4,573	\$ -	\$ 5,000	\$ 1,925	\$ 3,656

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)  
December 31, 2017**

	Community Chest	Covington Case	Donations	Fayette County Bar Association	Elder Abuse FIVCO	MIPPA FIVCO	State Ombudsman FIVCO	SHIP HCFA FIVCO	Title III FIVCO	Title III Ombudsman FIVCO	Title VII Ombudsman FIVCO
<b>Support and revenue</b>											
Grants and contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 2,455	\$ 14,203	\$ 28,701	\$ 17,203	\$ 9,737	\$ 15,605	\$ 4,069
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	209,106	-	41,460	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	209,106	-	41,460	5,000	2,455	14,203	28,701	17,203	9,737	15,605	4,069
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>											
Salaries and benefits											
Lawyers	58,228	-	-	-	-	1,287	-	807	6,757	354	-
Non-lawyers	59,598	-	-	-	1,592	6,938	14,530	9,250	-	8,424	2,450
Employee benefits	74,095	-	-	-	863	3,640	8,108	4,781	2,980	4,958	1,369
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	191,921	-	-	-	2,455	11,865	22,638	14,838	9,737	13,736	3,819
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-
Children's Law Services	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-
Contract services	2,994	-	805	-	-	2,260	6,000	1,836	-	1,770	250
Travel	1,243	-	-	-	-	-	-	451	-	-	-
Space and occupancy	3,857	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	3,170	-	-	15	-	-	-	-	-	-	-
Library updates	5,336	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-
Office expense	3,282	-	8	54	-	78	63	78	-	39	-
Litigation costs	19	-	4,179	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-
Recognition & Community Education	1,642	-	-	-	-	-	-	-	-	60	-
Interest	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	275	-	-	195	-	-	-	-	-	-	-
Insurance	5,311	-	-	-	-	-	-	-	-	-	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	219,050	-	4,992	264	2,455	14,203	28,701	17,203	9,737	15,605	4,069
<b>Change in net assets before equipment acquisitions and reclassifications</b>	(9,944)	-	36,468	4,736	-	-	-	-	-	-	-
<b>Equipment acquisitions and reclassifications</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets beginning of year</b>	271,157	11,798	107,466	-	-	-	-	-	-	-	-
<b>Net assets end of year</b>	\$ 261,213	\$ 11,798	\$ 143,934	\$ 4,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)  
December 31, 2017**

	Franklin County Fiscal Court	Elder Abuse Gateway	LTC State Gateway	Title III Gateway	Title III Ombudsman Gateway	Title VII Ombudsman Gateway	Anonymous Foundation	Heart of Kentucky United Way	HUD	IOLTA Bank of America	IOLTA CY Pres
<b>Support and revenue</b>											
Grants and contracts	\$ 2,500	\$ 1,545	\$ 27,894	\$ 16,954	\$ 14,802	\$ 2,555	\$ -	\$ -	\$ 62,256	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	30,000	10,500	-	11,613	9,854
Rental income	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	2,500	1,545	27,894	16,954	14,802	2,555	30,000	10,500	62,256	11,613	9,854
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>											
Salaries and benefits:											
Lawyers	2,506	-	-	12,099	-	-	-	6,903	25,868	97,823	20,681
Non-lawyers	-	964	17,857	-	9,402	1,596	-	1,762	13,517	121,648	-
Employee benefits	1,029	581	10,037	4,855	5,400	959	-	2,818	17,276	93,333	8,918
Donated legal services	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	3,535	1,545	27,894	16,954	14,802	2,555	-	11,483	56,661	312,804	29,599
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	7,597	1,831	658	-
Travel	-	-	-	-	-	-	-	-	618	236	-
Space and occupancy	-	-	-	-	-	-	-	-	961	8	-
Publications, dues and fees	-	-	-	-	-	-	-	-	-	3,315	-
Library updates	-	-	-	-	-	-	-	-	413	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-	1,013	2,528	-
Litigation costs	-	-	-	-	-	-	3,810	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	155	9,156	-
Recognition & Community Education	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	13	-
Seminars and training	-	-	-	-	-	-	-	-	604	-	-
Insurance	-	-	-	-	-	-	-	-	-	8,642	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	3,999	-
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	3,535	1,545	27,894	16,954	14,802	2,555	3,810	19,080	62,256	341,359	29,599
<b>Change in net assets before equipment acquisitions and reclassifications</b>	(1,035)	-	-	-	-	-	26,190	(8,580)	-	(329,746)	(19,745)
<b>Equipment acquisitions and reclassifications</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets beginning of year</b>	1,035	-	-	-	-	-	-	15,000	-	1,423,982	59,198
<b>Net assets end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,190	\$ 6,420	\$ -	\$ 1,094,236	\$ 39,453

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)  
December 31, 2017**

	IOLTA Fellow	IOLTA Other	Kentucky Bar Foundation	Kentucky Colonel's	Kentucky Filing Fee - PAI	Kentucky Filing Fee - Other	King's Daughters and Sons	Kentucky General Fund	LAV Grant	Legal Aid BG Louisville Custody	Legal Services Corporation PAI	Legal Services Corporation Pro Bono Innovation	Legal Services Corporation	LSC Excess 2016 Fund Balance
<b>Support and revenue</b>														
Grants and contracts	\$ 39,798	\$ 57,787	\$ 5,000	\$ -	\$ 119,630	\$ 668,046	\$ -	\$ 147,202	\$ 197,481	\$ 11,587	\$ 89,004	\$ -	\$ 1,370,447	\$ -
Interest earned and other income	-	-	-	-	-	2,197	-	-	-	-	-	-	127	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	7,500	-	2,000	5,500	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total support and revenue</b>	<b>39,798</b>	<b>57,787</b>	<b>5,000</b>	<b>7,500</b>	<b>119,630</b>	<b>672,243</b>	<b>5,500</b>	<b>147,202</b>	<b>197,481</b>	<b>11,587</b>	<b>89,004</b>	<b>-</b>	<b>1,370,574</b>	<b>-</b>
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>														
Salaries and benefits														
Lawyers	4,166	16,487	731	-	21,351	16,173	-	25,154	118,465	3,303	21,317	10,971	420,365	-
Non-lawyers	-	19,198	-	-	23,963	29,264	-	14,993	-	1,365	33,014	2,593	335,948	-
Employee benefits	1,833	10,046	269	-	12,939	20,462	-	14,948	52,067	1,890	16,145	5,400	313,000	-
<b>Total salaries and benefits</b>	<b>5,999</b>	<b>45,731</b>	<b>1,000</b>	<b>-</b>	<b>58,253</b>	<b>65,899</b>	<b>-</b>	<b>55,095</b>	<b>170,532</b>	<b>6,558</b>	<b>70,476</b>	<b>18,964</b>	<b>1,069,313</b>	<b>-</b>
Grant to KEJCF	-	-	-	-	-	54,468	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	61,670	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	33,263	-	-	-	-	-	13,228	-	-	-
Contract services	-	3,979	-	-	9,925	141,121	-	45,763	-	-	2,113	-	91,474	2,336
Travel	-	1,021	-	-	703	68,986	-	436	2,410	-	421	-	10,385	-
Space and occupancy	-	1,316	-	-	3,441	22,907	-	-	17,233	747	607	-	38,294	-
Publications, dues and fees	-	642	-	-	642	14,636	-	1,969	-	-	-	-	-	-
Library updates	2,490	768	-	-	2,255	11,307	-	16,559	-	-	349	-	19,607	-
Telephone	-	820	-	-	2,034	17,707	-	154	-	-	385	-	21,331	-
Office expense	-	1,095	-	-	2,340	25,077	-	299	-	-	515	-	34,324	-
Litigation costs	-	180	-	-	378	-	-	-	-	-	91	-	3,765	-
Equipment purchase, rental, and repair	-	593	-	-	625	15,208	-	-	-	-	10	-	1,398	-
Recognition & Community Education	-	99	-	-	840	6,764	-	300	-	-	19	-	3,071	-
Interest	-	355	-	-	713	23,605	-	-	-	-	184	-	(184)	-
Seminars and training	-	270	-	-	3,097	11,048	-	2,675	-	-	98	-	2,763	-
Insurance	-	520	-	-	958	1,270	-	-	-	-	271	-	14,441	-
LAV Contractual Services	-	-	-	-	-	-	-	-	7,306	-	-	-	-	-
Bad debt expense	-	348	-	-	84	11,196	-	-	-	-	186	-	(185)	-
Miscellaneous expenses	-	50	-	-	79	-	-	-	-	-	51	-	(51)	-
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	<b>8,489</b>	<b>57,787</b>	<b>1,000</b>	<b>-</b>	<b>119,630</b>	<b>552,869</b>	<b>-</b>	<b>123,250</b>	<b>197,481</b>	<b>7,305</b>	<b>89,004</b>	<b>18,964</b>	<b>1,309,746</b>	<b>2,336</b>
<b>Change in net assets before equipment acquisitions and reclassifications</b>	<b>31,309</b>	<b>-</b>	<b>4,000</b>	<b>7,500</b>	<b>-</b>	<b>119,374</b>	<b>5,500</b>	<b>23,952</b>	<b>-</b>	<b>4,282</b>	<b>-</b>	<b>(18,964)</b>	<b>60,828</b>	<b>(2,336)</b>
<b>Equipment acquisitions and reclassifications</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,500)</b>	<b>-</b>	<b>(80,000)</b>	<b>-</b>	<b>(17,393)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets beginning of year</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,065</b>	<b>-</b>	<b>149,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,964</b>	<b>148,002</b>	<b>2,336</b>
<b>Net assets end of year</b>	<b>\$ 31,524</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,439</b>	<b>\$ 5,500</b>	<b>\$ 155,948</b>	<b>\$ -</b>	<b>\$ 4,282</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 208,830</b>	<b>\$ -</b>

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)  
December 31, 2017**

	Neighborhood Works Project	Boone County	Campbell County	Kenton County	HCFA NKADD	MIPPA NKADD	Title III NKADD	NKADD Other	Ohio Valley United Charities	PNC Charitable Trust	PNC Foundation	Anonymous Foundation	Rental Earned Income
<b>Support and revenue</b>													
Grants and contracts	\$ 5,760	\$ 20,953	\$ 15,187	\$ 2,500	\$ 37,707	\$ 49,013	\$ 39,305	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	3,203	-	-	-	-	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	3,000	35,000	8,000	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	22,948
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	5,760	20,953	15,187	2,500	37,707	49,013	39,305	3,203	3,000	35,000	8,000	-	22,948
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>													
Salaries and Benefits													
Lawyers	2,211	14,943	10,990	1,814	9,084	13	27,635	-	1,196	21,263	2,023	12,384	-
Non-lawyers	1,821	-	-	-	15,440	33,132	-	-	-	-	4,933	1,808	-
Employee benefits	1,728	6,010	4,197	686	12,132	15,868	11,670	-	537	7,763	3,046	5,808	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	5,760	20,953	15,187	2,500	36,656	49,013	39,305	-	1,733	29,026	10,002	20,000	-
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	764	-	-	593	-	-	-	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	-	-	287	-	-	-	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Litigation costs	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-	-	-
Recognition & Community Education	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	2,610	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	5,760	20,953	15,187	2,500	37,707	49,013	39,305	3,203	1,733	29,026	10,002	20,000	-
<b>Change in net assets before equipment acquisitions and reclassifications</b>	-	-	-	-	-	-	-	-	1,267	5,974	(2,002)	(20,000)	22,948
<b>Equipment acquisitions and reclassifications</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets beginning of year</b>	-	-	-	-	-	-	-	-	3,466	14,026	6,002	64,365	173,165
<b>Net assets end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,733	\$ 20,000	\$ 4,000	\$ 44,365	\$ 196,113

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)  
December 31, 2017**

	Service Generated Income	State of Kentucky Health Insurance	United Way of Franklin County	United Way of Greater Cinti	United Way of the Bluegrass	VOCA	Unclassified	Total
<b>Support and revenue</b>								
Grants and contracts	\$ -	\$ 21,704	\$ -	\$ -	\$ -	\$ 425,705	\$ -	\$ 3,870,244
Interest earned and other income	23,440	-	-	-	-	-	-	28,967
Capital campaign contributions	-	-	-	-	-	-	-	1,925
Miscellaneous contributions	-	-	4,216	-	16,000	-	-	398,181
Rental income	-	-	-	-	-	-	-	22,948
Donated legal services	-	-	-	-	-	-	298,800	298,800
Total support and revenue	23,440	21,704	4,216	-	16,000	425,705	298,800	4,621,065
<b>Net assets released from restrictions for the purpose of satisfying the following expenses</b>								
Salaries and Benefits								
Lawyers	-	-	727	11,810	15,468	282,286	-	1,368,335
Non-lawyers	-	-	1,284	11,900	-	4,930	-	918,579
Employee benefits	-	-	543	9,672	6,084	69,606	-	924,962
Donated legal services	-	-	-	-	-	-	298,800	298,800
Total salaries and benefits	-	-	2,554	33,382	21,552	356,822	298,800	3,510,676
Grant to KEJCF	-	-	-	-	-	-	-	54,468
Children's Law Center	-	-	-	-	-	-	-	61,670
Contracted Client Services- Attorney	-	-	-	-	-	-	-	46,491
Contract services	-	-	-	-	136	10,661	-	353,523
Travel	-	-	26	-	-	674	-	89,742
Space and occupancy	-	-	-	-	-	16,432	-	105,803
Publications, dues and fees	-	-	-	-	-	-	-	25,560
Library updates	-	-	-	-	-	7,435	-	66,519
Telephone	-	-	-	-	-	18,547	-	63,872
Office expense	-	-	-	151	324	10,757	-	87,210
Litigation costs	-	-	-	-	-	-	-	12,854
Equipment purchase, rental, and repair	-	-	-	48	160	60	-	27,565
Recognition & Community Education	-	-	-	-	-	-	-	15,450
Interest	-	-	-	-	-	-	-	24,686
Seminars and training	-	-	-	-	76	1,518	-	25,849
Insurance	-	-	-	-	-	2,799	-	34,212
LAV Contractual Services	-	-	-	-	-	-	-	7,306
Bad debt expense	-	-	-	-	-	-	-	11,629
Miscellaneous expenses	-	-	-	-	-	-	-	4,128
<b>Net assets released from restrictions for the purpose of satisfying expenses</b>	-	-	2,580	33,581	22,248	425,705	298,800	4,629,213
<b>Change in net assets before equipment acquisitions and reclassifications</b>	23,440	21,704	1,636	(33,581)	(6,248)	-	-	(8,148)
<b>Equipment acquisitions and reclassifications</b>	-	-	-	-	-	-	-	(110,893)
<b>Net assets beginning of year</b>	9,500	69,209	-	33,581	16,366	-	-	2,634,516
<b>Net assets end of year</b>	\$ 32,940	\$ 90,913	\$ 1,636	\$ -	\$ 10,118	\$ -	\$ -	\$ 2,515,475

**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, 2017**

	Period	Award Amount	Recognized in 2017
American Bar Endowment	03/17 - 03/19	\$ 50,000	\$ 50,000
BEC New SHIP Funding	1/15/16-9/29/17	101,500	51,500
BEC Marketing Campaign	04/17 - 06/17	50,000	10,000
Bluegrass Area Development District			
Title III	07/16 - 06/17	45,611	18,781
	07/17 - 06/18	26,830	13,415
MIPPA	10/16 - 09/17	95,640	63,770
	10/17 - 09/18	55,655	21,123
SHIP	04/16 - 03/17	74,039	24,677
	07/17 - 16/18	95,904	47,952
Buffalo Trace Area Development District			
Title III	07/16 - 06/17	9,000	4,350
	07/17 - 06/18	9,000	8,172
FIVCO			
TITLE VII Ombudsman	07/16 - 06/17	4,089	2,045
	07/17 - 06/18	4,088	2,024
Title VII Elder Abuse	07/16 - 06/17	2,454	1,227
	07/17 - 06/18	2,454	1,228
State Long Term Care Ombudsman	07/16 - 06/17	28,678	14,339
	07/17 - 06/18	28,722	14,362
MIPPA	10/16 - 09/17	14,509	10,882
	10/17 - 09/18	13,282	3,321
Title III B Ombudsman	07/16 - 06/17	15,606	7,803
	07/17 - 06/18	15,606	7,802
SHIP	04/16 - 06/17	24,060	6,015
	07/17 - 06/18	22,376	11,188
TITLE III Legal Assistance	07/16 - 06/17	9,737	4,869
	07/17 - 06/18	9,737	4,868
Gateway Area Development District			
Elder Abuse	07/16 - 06-17	1,539	775
	07/17 - 06/18	1,539	770
LTC STATE	07/16 - 06-17	27,416	13,706
	07/17 - 06/18	28,377	14,188
Title IIIB Ombudsman	07/16 - 06-17	14,800	7,402
	07/17 - 06/18	14,800	7,400
Title IIIB Legal Assistance	07/16 - 06-17	18,300	9,937
	07/17 - 06/18	18,300	7,016
Title VII Ombudsman	07/16 - 06-17	2,564	1,285
	07/17 - 06/18	2,538	1,270

(Continued)

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

**Supplemental Schedule – Summary of Funding (Continued)  
December 31, 2017**

	<u>Period</u>	<u>Award Amount</u>	<u>Recognized in 2017</u>
HUD Western Tennessee Legal Services	01/16 - 03/17	\$ 55,000	\$ 16,352
	04/17 - 03/18	67,000	45,904
IOLTA	09/16 - 08/17	89,565	59,710
	09/17 - 08/18	113,627	37,876
Kentucky File Fee (Access to Justice)	01/17 - 12/17		787,675
Kentucky General Fund	01/17 - 12/17		147,202
Legal Aid Society of Louisville			
Visitation and Custody Hotline	01/17 - 06/17	6,000	4,251
	07/17 - 06/18	12,000	7,336
Legal Assistance to Victims	10/15 - 9/18	600,000	197,481
LSC			
Legal Services Corp. Basic	01/17 - 12/17	1,456,678	1,459,451
Neighbor Works Project (NFMC)	10/15 - 06/17	5,760	5,760
NKADD			
Boone County	07/16 - 06/17	15,000	10,108
	07/17 - 06/18	15,500	10,845
Campbell County	07/16 - 06/17	13,000	1,187
	07/17 - 06/18	14,000	14,000
Kenton County	07/16 - 06/17	2,500	-
	07/17 - 06/18	2,500	2,500
SHIP	04/16 - 03/17	41,097	14,444
	07/17 - 06/18	46,528	23,263
MIPPA	10/16 - 09/17	46,853	36,299
	10/17 - 09/18	39,539	12,714
Title III	07/16 - 06/17	39,067	13,238
	07/17 - 06/18	26,067	26,067
State of Kentucky Health Insurance			21,704
VOCA	10/16 - 9/17	384,796	318,820
	10/17 - 09/18	403,369	106,885
Other	Various		19,710
			<u>\$ 3,870,244</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, 2017, 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 27, 2018.

**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 27, 2018  
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, 2017. 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, 2017.

**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 27, 2018  
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, 2017**

**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, 2017**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
No matters are reportable		