

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

Financial Statements with Supplementary Information
December 31, 2018 and 2017, and
Independent Auditors' Report

NORTHERN KENTUCKY LEGAL AID SOCIETY, INC.
(DBA LEGAL AID OF THE BLUEGRASS)
December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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)**

Effect of Adopting New Accounting Standard

As discussed in Note 1, Northern Kentucky Legal Aid Society, Inc.'s (DBA Legal Aid of the Bluegrass) has adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

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 26, 2019, 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 26, 2019
Crestview Hills, Kentucky

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

**Statements of Financial Position
December 31, 2018 and 2017**

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,439,020	\$ 1,368,401
Accounts receivable	374,777	318,261
Contributions receivable, net	750,902	1,081,748
Prepaid expenses	29,958	37,692
Client escrow funds	6,193	3,313
Property and equipment, net	1,374,717	1,434,967
Total assets	\$ 3,975,567	\$ 4,244,382
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 31,116	\$ 36,758
Accrued compensated absences	66,790	63,030
Accrued payroll and payroll taxes	113,759	111,053
Client trust deposits	6,193	3,313
Deferred revenue	42,332	79,785
Notes payable	444,139	527,635
Total liabilities	704,329	821,574
Net Assets		
Without donor restrictions		
Net investment in property and equipment	930,579	907,332
Operating	1,249,609	1,085,264
Total net assets without donor restrictions	2,180,188	1,992,596
With donor restrictions		
	1,091,050	1,430,212
Total net assets	3,271,238	3,422,808
Total liabilities and net assets	\$ 3,975,567	\$ 4,244,382

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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Grants and contracts	\$ 4,018,103	\$ -	\$ 4,018,103
Interest and other income	47,526	-	47,526
Capital campaign contributions	-	-	-
Other contributions	115,945	307,241	423,186
Rental income	23,636	-	23,636
Donated legal services	282,240	-	282,240
Net assets released from restrictions	646,403	(646,403)	-
Total support and revenue	<u>5,133,853</u>	<u>(339,162)</u>	<u>4,794,691</u>
Expenses			
Salaries and benefits:			
Lawyers	1,382,067	-	1,382,067
Non-lawyers	972,610	-	972,610
Lawyer's salaries - donated	282,240	-	282,240
Employee benefits	977,892	-	977,892
Total salaries and benefits	<u>3,614,809</u>	<u>-</u>	<u>3,614,809</u>
Grant to KEJCF	53,084	-	53,084
Contract services	446,223	-	446,223
Travel	81,279	-	81,279
Space and occupancy	114,025	-	114,025
Publications, dues and fees	23,360	-	23,360
Library updates	55,720	-	55,720
Telephone	69,659	-	69,659
Depreciation	104,595	-	104,595
Office expense	101,690	-	101,690
Litigation costs	3,983	-	3,983
Equipment rental, purchase and repair	129,978	-	129,978
Interest expense	21,855	-	21,855
Seminars and training	69,917	-	69,917
Insurance	38,377	-	38,377
Miscellaneous expense	17,707	-	17,707
Total expenses	<u>4,946,261</u>	<u>-</u>	<u>4,946,261</u>
Change in net assets	187,592	(339,162)	(151,570)
Net assets, beginning of year	<u>1,992,596</u>	<u>1,430,212</u>	<u>3,422,808</u>
Net assets, end of year	<u>\$ 2,180,188</u>	<u>\$ 1,091,050</u>	<u>\$ 3,271,238</u>

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**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
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	<u>4,971,119</u>	<u>(350,054)</u>	<u>4,621,065</u>
Expenses			
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	<u>3,510,676</u>	<u>-</u>	<u>3,510,676</u>
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	<u>4,726,245</u>	<u>-</u>	<u>4,726,245</u>
Change in net assets	244,874	(350,054)	(105,180)
Net assets, beginning of year	<u>1,747,722</u>	<u>1,780,266</u>	<u>3,527,988</u>
Net assets, end of year	<u><u>\$ 1,992,596</u></u>	<u><u>\$ 1,430,212</u></u>	<u><u>\$ 3,422,808</u></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, 2018**

	Legal Services	Supporting	Fundraising	Total
Salaries and benefits				
Lawyers	\$ 1,285,322	\$ 71,710	\$ 25,035	\$ 1,382,067
Non-lawyers	719,731	142,237	110,642	972,610
Employee benefits	831,208	92,413	54,271	977,892
Total salaries and related expenses	2,836,261	306,360	189,948	3,332,569
Other expenses				
Grant to KEJCF	47,245	5,839	-	53,084
Contract services	344,936	101,287	-	446,223
Travel	72,338	6,048	2,893	81,279
Space and occupancy	101,482	8,484	4,059	114,025
Publications, dues and fees	20,790	1,738	832	23,360
Library updates	49,591	4,145	1,984	55,720
Telephone	61,997	5,182	2,480	69,659
Office expense	90,504	7,566	3,620	101,690
Litigation costs	3,545	438	-	3,983
Equipment purchase, rental and repair	115,680	9,671	4,627	129,978
Interest expense	19,451	1,625	779	21,855
Seminars and training	62,226	5,202	2,489	69,917
Insurance	34,156	2,854	1,367	38,377
Miscellaneous expense	15,759	1,317	631	17,707
Total expenses before donated services and depreciation	3,875,961	467,756	215,709	4,559,426
Donated services	254,016	28,224	-	282,240
Depreciation	93,090	7,781	3,724	104,595
	\$ 4,223,067	\$ 503,761	\$ 219,433	\$ 4,946,261

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**

	<u>Legal Services</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits				
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
Other expenses				
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
Donated services	268,920	29,880	-	298,800
Depreciation	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)**

**Statements of Cash Flows
Years Ended December 31, 2018 and 2017**

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (151,570)	\$ (105,180)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	104,595	97,032
Bad debt expense	-	11,629
Receipts of client escrow funds held in agency transactions	18,975	22,347
Payments of client escrow funds held in agency transactions	(16,094)	(23,087)
Changes in:		
Accounts receivable	(56,516)	(41,991)
Contributions receivable, net	330,846	300,612
Prepaid expenses	7,734	8,123
Accounts payable	(5,642)	(38,368)
Accrued compensated absences	3,760	(8,354)
Accrued payroll and payroll taxes	2,706	(18,104)
Deferred revenue	(37,453)	20,075
	201,341	224,734
Net cash provided by operating activities	201,341	224,734
Cash flows used by investing activities		
Purchase of property and equipment	(44,345)	(37,176)
Cash flows used by financing activities		
Principal payments on notes payable	(83,497)	(73,717)
Net change in cash, cash equivalents, and restricted cash	73,499	113,841
Cash, cash equivalents, and restricted cash, beginning of year	1,371,714	1,257,873
Cash, cash equivalents, and restricted cash, end of year	\$ 1,445,213	\$ 1,371,714
Supplemental cash flows information		
Interest paid	\$ 21,855	\$ 24,686
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 two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net asset with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents / Client 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 \$1,048,312 and \$935,762 as of December 31, 2018 and 2017, 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, 2018, cash and cash equivalents of \$1,439,020 and client escrow funds of \$6,193 reported within the statement of financial position sum to the total of \$1,445,213, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. 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.

**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, 2018 and 2017.

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

LABG records gifts of cash and other assets at fair value as of the date of contribution. Such donations are recorded as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue without donor restrictions and net assets without donor restrictions.

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 \$282,240 and \$298,800 were received from private attorneys and others assigned to work with staff attorneys during 2018 and 2017, 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 2018 and 2017 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 functional expenses. Expenses have been classified based upon the actual direct expenditures and cost allocations. The most significant allocations are salaries and related expenses, which were allocated based upon estimates of time spent by LABG personnel, and occupancy and depreciation, which were allocated based on use of resources.

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 2018, LABG adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. LABG adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for disclosing information about liquidity and availability of resources, which is permitted to be omitted for any periods presented before the period of adoption.

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 June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The standard clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The standard also requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. This standard will be effective for the Organization's year ending December 31, 2019.

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 26, 2019, which is the date the financial statements were available to be issued.

NOTE 2 AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure comprise of the following:

Cash and cash equivalents	\$ 1,439,020
Accounts receivable	374,777
Promises to give	192,700
Distribution of assets from settlement	<u>305,612</u>
	<u><u>\$ 2,312,109</u></u>

Promises to give consist of the unreceived portion of awards from various United Way agencies.

Distribution of assets from settlement is from a 2016 \$1,528,058 settlement with Bank of America. The settlement is disbursed by the Kentucky IOLTA fund and is paid in 5 annual installments beginning in 2016 (see FN 4 for details regarding 2016 settlement).

LABG has a \$250,000 line of credit which it could draw upon in the event of an unanticipated liquidity need (see FN 6 for more details on the line of credit). There are no plans to utilize this source of funds in the next year.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at December 31 consisted of the following:

	2018	2017
Bluegrass ADD	\$ 50,360	\$ 39,960
Boone County	5,954	7,944
Campbell County	5,464	9,846
FIVCO ADD	25,571	22,950
Gateway ADD	29,095	15,191
HUD	44,617	30,965
LAV	6,232	52,345
Northern Kentucky ADD	32,198	24,590
Other organizations and local bar associations	10,283	7,585
VAWA	-	-
VOCA	165,003	106,885
	<u>165,003</u>	<u>106,885</u>
	<u><u>\$ 374,777</u></u>	<u><u>\$ 318,261</u></u>

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

**Notes to Financial Statements
(Continued)**

NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 consisted of the following:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 529,546	\$ 576,202
Due within one to five years	<u>305,612</u>	<u>612,723</u>
	835,158	1,188,925
Less unamortized discount	(78,256)	(101,177)
Less allowance for uncollectible pledges	<u>(6,000)</u>	<u>(6,000)</u>
	<u>\$ 750,902</u>	<u>\$ 1,081,748</u>

A discount rate of 4% was used for 2018 and 2017.

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, 2018 and 2017. The remaining balance is scheduled to be paid in equal annual installments of \$305,612 over the next two years, with the final payment occurring in November, 2020.

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land, building and improvements	\$ 1,665,963	\$ 1,665,963
Office furniture and equipment	653,528	535,649
Construction in progress	<u>-</u>	<u>73,534</u>
	2,319,491	2,275,146
Less accumulated depreciation	<u>(944,774)</u>	<u>(840,179)</u>
	<u>\$ 1,374,717</u>	<u>\$ 1,434,967</u>

NOTE 6 LINE OF CREDIT

LABG has available a \$250,000 line of credit at a bank. The line charges interest at the prime rate of 5.50% and 4.50% at December 31, 2018 and 2017, respectively. For the years ending December 31, 2018 and 2017, there were no borrowings on the line of credit. The line is collateralized by substantially all of LABG's assets and expires in June 2019. 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 7 NOTES PAYABLE

	2018	2017
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.	\$ 75,403	\$ 122,574

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.	345,506	369,712
--	---------	---------

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.	23,230	35,349
	\$ 444,139	\$ 527,635

Future principal payments at December 31, 2018, are:

2019	\$ 87,098
2020	63,421
2021	27,832
2022	29,158
2023	30,548
Thereafter	206,082
	\$ 444,139

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 held the following time or purpose restrictions:

	2018	2017
Contributions receivable	\$ 216,548	\$ 296,522
IOLTA Bank of America settlement	772,177	1,094,237
IOLTA CY PRES	102,325	39,453
	\$ 1,091,050	\$ 1,430,212

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

**Notes to Financial Statements
(Continued)**

NOTE 9 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 \$35,132 and \$39,127 for 2018 and 2017, respectively.

Future annual minimum lease payments at December 31, 2018 are as follows:

2019	\$ 37,200
2020	10,800
2021	5,400
2022	-
2023	-
	<u>\$ 53,400</u>

LABG leases a portion of its premises to a third party. Minimum future rental income under this non-cancellable lease as of December 31, 2018 is as follows:

2019	\$ 24,345
2020	<u>20,792</u>
	<u>\$ 45,137</u>

NOTE 10 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 2018 and 2017.

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

**Notes to Financial Statements
(Continued)**

NOTE 10 PRIVATE ATTORNEY INVOLVEMENT (CONTINUED)

The following amounts were expended for private attorney involvement, which represented approximately 14% and 16% of the LSC basic field grant for 2018 and 2017, respectively, and 27% and 30% of Kentucky filing fees for 2018 and 2017, respectively.

	2018	2017
Salaries	\$ 125,305	\$ 145,416
Fringes	42,473	41,915
Telephone	3,547	3,238
Space - rent	5,761	5,364
Space - other	84	83
Office supplies	5,192	4,431
Library	2,837	3,372
Insurance	2,199	1,750
Annual recognition and training of volunteers	360	728
Litigation	203	649
Miscellaneous expense	11,083	4,476
Training	3,473	1,311
Travel	4,143	4,550
Contractual services	15,626	17,594
	\$ 222,286	\$ 234,877

NOTE 11 KENTUCKY EQUAL JUSTICE CENTER FUND

LABG committed \$53,084 and \$54,468 for 2018 and 2017, 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 12 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 publicly available. The Kentucky Retirement System issues a publicly 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 12 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, 2018 and 2017, the year-end of the plan, was 14.48% and 13.95%, respectively, of participating members' compensations. The contribution requirement of LABG to the CERS for the years ended December 31, 2018 and 2017 was \$332,122 and \$289,593, respectively. There have been no significant changes that affect comparability of 2018 and 2017 contributions.

The following information is based on the financial statements of the Plan as of June 30 (shown in thousands):

	2018	2017
Actuarial value of assets	\$ 6,950,225	\$ 6,764,873
Actuarial accrued liability	13,191,505	12,803,509
Unfunded actuarial accrued liability	6,241,280	6,038,636
Total contributions received by the plan	358,017	333,554

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, 2018 and 2017, the year end of the plan, was 4.70% and 4.73%, respectively, of participating members' compensations. The contribution requirement of LABG to the KRS Insurance Fund for the years ended December 31, 2018 and 2017 was \$107,749 and \$96,075, respectively. There have been no significant changes that affect comparability of 2018 and 2017 contributions.

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

**Notes to Financial Statements
(Continued)**

NOTE 13 SIGNIFICANT CONCENTRATIONS

Accounting principles general accepted in the United States of America require disclosure of current vulnerabilities due to certain concentrations. During 2018 and 2017, 33% 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, 2018**

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	\$ 1,592,725
Legal Services Corporation Vieth Leadership Grant	09.618004	KY-10 618004	9,264
Legal Services Corporation TIG Program	09.618004	KY-10 618004	<u>9,600</u>
Total for CFDA 09.618004			<u>1,611,589</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-2017-2018 & AS-2018-2019	26,930
<i>Passed through Buffalo Trace Area Development District:</i>			
Helping the Elderly with Legal Problem Solving Title III-B of Older Americans	93.044	017-018-006, 018-019-006	9,841
<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 1700002624-1 & LAB 61ECF8B8 -1A42-4A30-B173-63D278717947-Title III-1	9,736
Title III-B - Ombudsman of Older Americans	93.044	LAB PON2 725 1700002624-1 & LAB 61ECF8B8 -1A42-4A30-B173-63D278717947-Title III-1	15,604
<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-FY 19-03-05-LABG	29,584
Title III-B - Ombudsman of Older Americans	93.044	LEGAL-FY18-01 & LEGAL-FY 19-03-05-LABG	14,800
<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-18 & HS-A-19-LA	<u>21,067</u>
Total for CFDA 93.044			<u>127,562</u>
<i>Passed through Bluegrass Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	AS-2017-2018 & AS-2018-2019	98,774
<i>Passed through FIVCO Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	LAB PON2 725 1700002623 & LAB AB9CD306- FBB6-4E26-BF5E-4257C3544CF6	23,266
<i>Passed through Gateway Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	19-06-LABG	11,084
<i>Passed through Northern Kentucky Area Development District:</i>			
SHIP (Consolidated Appropriations Act)	93.324	HS-A-18 & HS-A-19-LA	<u>45,062</u>
Total for CFDA 93.324			<u>178,186</u>
<i>Passed through Bluegrass Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	AS-2017-2018 & AS-2018-2019	54,674

(Continued)

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018**

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 1800000579 & & LAB PON2 725 1900001159-1	13,204
<i>Passed through Gateway Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	19-06-LABG	13,281
<i>Passed through the National Council on Aging:</i>			
Medicare Improvements for Patients and Providers Act Benefits Enrollment Center	93.071	90MI004-01-00	83,000
<i>Passed through Northern Kentucky Area Development District:</i>			
Medicare Improvements for Patients and Providers Act MIPPA	93.071	HS-A-18 & HS-A-19-LA	39,275
Total for CFDA 93.071			203,434
<i>Passed through FIVCO Area Development District:</i>			
Title VII of Older Americans Act - Elder Abuse	93.041	LAB PON2 725 1700002626-1 & LAB 87D90275- F914-4067-8D70-275C6256ED5D	2,426
<i>Passed through Gateway Area Development District:</i>			
Title VII of Older Americans Act - Elder Abuse	93.041	LEGAL-FY18-01 & 19-03-05-LABG	1,536
Total for CFDA 93.041			3,962
<i>Passed through FIVCO Area Development District:</i>			
Title VII of Older Americans Act - Ombudsman	93.042	LAB PON2 725 1700002626-1 & LAB 87D90275- F914-4067-8D70-275C6256ED5D	4,235
<i>Passed through Gateway Area Development District:</i>			
Title VII of Older Americans Act - Ombudsman	93.042	LEGAL-FY18-01 & 19-03-05-LABG	2,683
Total for CFDA 93.042			6,918
Total U.S. Department of Health and Human Services			520,062
U.S. Department of Housing and Urban Development			
<i>Passed through Western TN:</i>			
HUD	14.169	HC170011030 & HC180011022	89,624
Total U.S. Department of Housing and Urban Development			89,624
U.S. Department of Justice			
<i>Direct Award:</i>			
Department of Justice LAV Grant	16.524	2015-WL-AX-0028	172,002
Victim of Crimes Act 1984	16.575	VOCA-2017-Legal-Aid-00119 & VOCA-2018-Legal-Aid-00037	516,432
Total U.S. Department of Justice			688,434
Total Expenditures of Federal Awards			\$ 2,909,709

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

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2018**

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, 2018. 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, 2018**

	<u>Without donor restrictions</u>		<u>Total</u>
	<u>Operations</u>	<u>Property</u>	
Unrestricted support and revenue	\$ 5,133,853	\$ -	\$ 5,133,853
Expenses			
Salaries and benefits:			
Lawyers	1,382,067	-	1,382,067
Non-Lawyers	972,610	-	972,610
Lawyers' salaries - donated	282,240	-	282,240
Employee benefits	977,892	-	977,892
Total salaries and benefits	<u>3,614,809</u>	<u>-</u>	<u>3,614,809</u>
Grant to KEJCF	53,084	-	53,084
Contract services	446,223	-	446,223
Travel	81,279	-	81,279
Space and occupancy	114,025	-	114,025
Publications, dues and fees	23,360	-	23,360
Library updates	55,720	-	55,720
Telephone	69,659	-	69,659
Depreciation	-	104,595	104,595
Office expense	101,690	-	101,690
Litigation costs	3,983	-	3,983
Equipment rental, purchase and repair	129,978	-	129,978
Interest expense	21,855	-	21,855
Seminars and training	69,917	-	69,917
Insurance	38,377	-	38,377
Bad debt expense	-	-	-
Miscellaneous expense	17,707	-	17,707
Total expenses	<u>4,841,666</u>	<u>104,595</u>	<u>4,946,261</u>
Change in net assets	292,187	(104,595)	187,592
Acquisition of equipment and reclassifications	(127,842)	127,842	-
Net assets, beginning of year	<u>1,085,264</u>	<u>907,332</u>	<u>1,992,596</u>
Net assets, end of year	<u>\$ 1,249,609</u>	<u>\$ 930,579</u>	<u>\$ 2,180,188</u>

See independent auditors' report

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

**Supplemental Detail Statement of Activities
December 31, 2018**

	American Bar Endowment	BEC SHIP Funding	Title III Bluegrass	MIPPA Bluegrass	SHIP HCFA Bluegrass	Bluegrass - Other	Boots on the Ground	Title III Buffalo Trace	Butler Foundation	Capital Campaign	Capital Campaign Lexington	Community Chest
Support and revenue												
Grants and contracts	\$ -	\$ 80,000	\$ 26,930	\$ 54,674	\$ 95,474	\$ -	\$ 1,500	\$ 9,841	\$ -	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	3,300	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	3,718	-	-	167,200
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	-	80,000	26,930	54,674	95,474	3,300	1,500	9,841	3,718	-	-	167,200
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and benefits												
Lawyers	-	-	17,578	12,785	11,612	-	-	6,393	-	-	-	26,116
Non-lawyers	-	33,548	1,769	20,905	46,743	-	-	646	-	-	-	39,884
Employee benefits	-	12,076	7,583	14,262	26,443	-	-	2,802	-	-	-	24,167
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	-	45,624	26,930	47,952	84,798	-	-	9,841	-	-	-	90,167
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	14,179	-	6,722	9,933	-	2,500	-	-	-	-	19,648
Travel	-	1,632	-	-	101	-	-	-	-	-	-	11,624
Space and occupancy	-	179	-	-	-	-	-	-	-	-	-	4,716
Publications, dues and fees	-	-	-	-	-	-	-	-	-	-	-	6,433
Library updates	-	-	-	-	-	-	-	-	-	-	-	801
Telephone	-	3,047	-	-	-	-	-	-	-	-	-	3,313
Office expense	-	12,370	-	-	532	1,037	-	-	-	-	-	2,478
Litigation costs	-	-	-	-	-	-	-	-	1,430	-	-	-
Equipment purchase, rental, and repair	-	4,580	-	-	-	-	-	-	-	-	-	6,630
Recognition & Community Education	-	-	-	-	110	-	-	-	-	-	-	241
Interest	-	-	-	-	-	-	-	-	-	-	-	3,109
Seminars and training	-	1,389	-	-	-	2,263	-	-	-	-	-	20,046
Insurance	-	-	-	-	-	-	-	-	-	-	-	13,299
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	1,492
Net assets released from restrictions for the purpose of satisfying expenses	-	83,000	26,930	54,674	95,474	3,300	2,500	9,841	1,430	-	-	183,997
Change in net assets before equipment acquisitions and reclassifications	-	(3,000)	-	-	-	-	(1,000)	-	2,288	-	-	(16,797)
Equipment acquisitions and reclassifications	(44,000)	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	44,000	3,000	-	-	-	-	4,573	-	5,000	1,925	3,656	261,213
Net assets end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,573	\$ -	\$ 7,288	\$ 1,925	\$ 3,656	\$ 244,416

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)
December 31, 2018**

	Covington Case	Cy Pres	Donations	Equal Justice Works	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
Support and revenue												
Grants and contracts	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 2,426	\$ 13,204	\$ 28,634	\$ 23,266	\$ 9,736	\$ 15,604	\$ 4,235
Interest earned and other income	-	-	-	-	-	-	-	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	46,552	40,806	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	-	46,552	40,806	5,000	5,000	2,426	13,204	28,634	23,266	9,736	15,604	4,235
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and benefits												
Lawyers	-	-	-	-	2,260	-	960	-	1,730	5,772	-	-
Non-lawyers	-	-	-	4,610	-	1,766	9,339	18,888	15,262	649	9,404	2,791
Employee benefits	-	-	-	390	940	660	2,647	6,843	5,587	3,315	3,449	994
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	-	-	-	5,000	3,200	2,426	12,946	25,731	22,579	9,736	12,853	3,785
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-
Children's Law Services	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	1,536	-	258	2,250	470	-	2,751	450
Travel	-	-	-	-	-	-	-	-	117	-	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	-	-	-	-	-	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	894	-	-	-	-	577	100	-	-	-
Litigation costs	-	-	880	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-	-
Recognition & Community Education	-	-	2,006	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	76	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	1,625	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	-	-	5,405	5,000	4,736	2,426	13,204	28,634	23,266	9,736	15,604	4,235
Change in net assets before equipment acquisitions and reclassifications	-	46,552	35,401	-	264	-	-	-	-	-	-	-
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	11,798	-	143,934	-	4,736	-	-	-	-	-	-	-
Net assets end of year	\$ 11,798	\$ 46,552	\$ 179,335	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)
December 31, 2018**

	Franklin County Fiscal Court	Elder Abuse Gateway	LTC State Gateway	MIPPA Gateway	SHIP HCFA Gateway	Title III Gateway	Title III Ombudsman Gateway	Title VII Ombudsman Gateway	Gateway Other	Anonymous Foundation	Heart of Kentucky United Way	HUD	IOLTA Bank of America	IOLTA CY Pres
Support and revenue														
Grants and contracts	\$ 1,250	\$ 1,536	\$ 28,275	\$ 13,281	\$ 11,084	\$ 29,584	\$ 14,800	\$ 2,683	\$ -	\$ -	\$ -	\$ 89,624	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	1,100	-	-	-	-	-
Capital campaign income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	-	-	17,500	-	22,921	55,773
Rental income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	1,250	1,536	28,275	13,281	11,084	29,584	14,800	2,683	1,100	-	17,500	89,624	22,921	55,773
Net assets released from restrictions for the purpose of satisfying the following expenses														
Salaries and benefits:														
Lawyers	-	-	-	1,705	1,392	19,484	-	-	-	-	111	33,540	78,563	27,242
Non-lawyers	816	990	18,197	7,339	5,942	1,946	9,630	1,729	-	-	3,858	21,298	74,076	-
Employee benefits	434	546	10,078	4,086	3,082	8,154	5,170	954	-	-	1,498	26,637	61,141	12,211
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	1,250	1,536	28,275	13,130	10,416	29,584	14,800	2,683	-	-	5,467	81,475	213,780	39,453
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-	-	2,340	-
Contract services	-	-	-	151	668	-	-	-	-	-	953	1,924	49,846	-
Travel	-	-	-	-	-	-	-	-	-	-	-	943	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	2,280	3,500	-
Publications, dues and fees	-	-	-	-	-	-	-	-	-	-	-	-	6,375	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-	9,000	-
Telephone	-	-	-	-	-	-	-	-	-	-	-	1,422	10,500	-
Office expense	-	-	-	-	-	-	-	-	576	-	-	665	6,706	-
Litigation costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-	-	37,751	-
Recognition & Community Education	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	-	-	-	-	-	-	-	524	-	-	915	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	5,183	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	1,250	1,536	28,275	13,281	11,084	29,584	14,800	2,683	1,100	-	6,420	89,624	344,981	39,453
Change in net assets before equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	-	11,080	-	(322,060)	16,320
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	-	-	-	-	-	-	-	-	-	26,190	6,420	-	1,094,236	39,453
Net assets end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,190	\$ 17,500	\$ -	\$ 772,176	\$ 55,773

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)
December 31, 2018**

	IOLTA Fellow	IOLTA PAI	Kentucky Bar Foundation	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	LSC Excess 2017 Fund Balance
Support and revenue												
Grants and contracts	\$ 56,040	\$ 57,586	\$ -	\$ 132,574	\$ 682,765	\$ -	\$ 116,856	\$ 172,002	\$ 10,664	\$ 70,430	\$ 1,467,536	\$ -
Interest earned and other income	-	-	-	-	533	-	-	-	-	-	276	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	56,040	57,586	-	132,574	683,298	-	116,856	172,002	10,664	70,430	1,467,812	-
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and benefits												
Lawyers	-	17,131	1,603	29,992	72,001	-	24,071	93,583	7,073	19,352	521,351	12,389
Non-lawyers	-	14,854	600	26,007	92,081	-	28,619	-	-	17,968	340,874	29,735
Employee benefits	-	10,777	797	18,867	43,006	-	19,786	43,205	2,873	12,829	354,898	20,748
Total salaries and benefits	-	42,762	3,000	74,866	207,088	-	72,476	136,788	9,946	50,149	1,217,123	62,872
Grant to KEJCF	-	-	-	-	53,084	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	60,371	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	1,601	-	28,142	15,206	-	1,751	-	-	4,425	-	-
Contract services	5,164	-	(1,292)	6,526	41,903	-	24,091	-	-	7,499	75,964	-
Travel	-	1,066	319	1,867	40,834	-	6,812	689	-	1,210	10,421	-
Space and occupancy	-	1,499	-	2,627	6,257	-	4,185	10,813	-	1,717	53,539	-
Publications, dues and fees	-	595	-	595	6,481	-	2,569	-	-	-	-	-
Library updates	7,000	728	-	1,274	2,997	-	7,187	-	-	835	19,224	-
Telephone	-	916	-	1,603	7,905	-	2,250	-	-	1,029	24,048	-
Office expense	-	1,483	1,228	2,372	15,573	-	6,907	-	-	1,465	43,116	-
Litigation costs	-	51	-	90	337	-	-	-	-	62	1,133	-
Equipment purchase, rental, and repair	-	4,364	-	4,364	39,692	5,500	5,162	-	-	-	1,091	-
Recognition & Community Education	-	661	-	4,218	3,394	-	250	-	-	97	2,623	-
Interest	-	-	-	-	18,746	-	-	-	-	357	(357)	-
Seminars and training	-	996	745	2,517	16,694	-	8,820	-	-	953	(953)	-
Insurance	1,000	570	-	998	-	-	-	-	-	632	13,184	-
LAV Contractual Services	-	-	-	-	-	-	-	23,712	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	294	-	515	32	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	13,164	57,586	4,000	132,574	536,594	5,500	142,460	172,002	9,946	70,430	1,460,156	62,872
Change in net assets before equipment acquisitions and reclassifications	42,876	-	(4,000)	-	146,704	(5,500)	(25,604)	-	718	-	7,656	(62,872)
Equipment acquisitions and reclassifications	-	-	-	-	(60,000)	-	(23,842)	-	-	-	-	-
Net assets beginning of year	31,524	-	4,000	-	50,439	5,500	155,948	-	4,282	-	145,959	62,872
Net assets end of year	\$ 74,400	\$ -	\$ -	\$ -	\$ 137,143	\$ -	\$ 106,502	\$ -	\$ 5,000	\$ -	\$ 153,615	\$ -

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)
December 31, 2018**

	Legal Services Corporation TIG	Legal Services Vieth Leadership Grant	Boone County Homeless Outreach	Boone County	Campbell County	Kenton County	HCFA NKADD	MIPPA NKADD	Title III NKADD	NKADD Other	Ohio Valley United Charities	PNC Charitable Trust
Support and revenue												
Grants and contracts	\$ 9,600	\$ 9,800	\$ 880	\$ 18,276	\$ 10,893	\$ 2,500	\$ 45,062	\$ 39,275	\$ 21,067	\$ -	\$ -	\$ -
Interest earned and other income	-	-	-	-	-	-	-	-	-	6,679	-	-
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	-	-	-	-	-	-	-	-	-	-	3,500	35,000
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total support and revenue	9,600	9,800	880	18,276	10,893	2,500	45,062	39,275	21,067	6,679	3,500	35,000
Net assets released from restrictions for the purpose of satisfying the following expenses												
Salaries and Benefits												
Lawyers	-	-	211	8,928	5,905	1,396	5,742	5,262	13,887	-	2,428	7,177
Non-lawyers	-	-	-	3,748	1,971	313	23,430	20,167	755	-	-	2,000
Employee benefits	-	-	100	5,600	3,017	791	13,459	12,101	6,425	-	1,072	3,423
Donated legal services	-	-	-	-	-	-	-	-	-	-	-	-
Total salaries and benefits	-	-	311	18,276	10,893	2,500	42,631	37,530	21,067	-	3,500	12,600
Grant to KEJCF	-	-	-	-	-	-	-	-	-	-	-	-
Children's Law Center	-	-	-	-	-	-	-	-	-	-	-	-
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	-	-	-	-
Contract services	-	-	-	-	-	-	1,979	1,745	-	-	-	2,400
Travel	-	-	-	-	-	-	-	-	-	102	-	-
Space and occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Publications, dues and fees	-	-	-	-	-	-	312	-	-	-	-	-
Library updates	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	569	-	-	-	140	-	-	2,466	-	-
Litigation costs	-	-	-	-	-	-	-	-	-	-	-	-
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	-	-	-	-	-
Recognition & Community Education	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Seminars and training	-	9,261	-	-	-	-	-	-	-	4,111	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
LAV Contractual Services	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for the purpose of satisfying expenses	-	9,261	880	18,276	10,893	2,500	45,062	39,275	21,067	6,679	3,500	15,000
Change in net assets before equipment acquisitions and reclassifications	9,600	539	-	-	-	-	-	-	-	-	-	20,000
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	-	-	-
Net assets beginning of year	-	-	-	-	-	-	-	-	-	-	4,733	20,000
Net assets end of year	\$ 9,600	\$ 539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,733	\$ 40,000

(Continued)

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

**Supplemental Detail Statement of Activities (Continued)
December 31, 2018**

	PNC Foundation	Anonymous Foundation	Rental Earned Income	Service Generated Income	State of Kentucky Health Insurance	United Way of Franklin County	United Way of the Bluegrass	VOCA	Unclassified	Total
Support and revenue										
Grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ 9,974	\$ -	\$ -	\$ 516,432	\$ 250	\$ 4,018,103
Interest earned and other income	-	-	-	17,400	-	-	-	-	18,238	47,526
Capital campaign contributions	-	-	-	-	-	-	-	-	-	-
Miscellaneous contributions	10,000	-	-	-	-	4,216	16,000	-	-	423,186
Rental income	-	-	23,636	-	-	-	-	-	-	23,636
Donated legal services	-	-	-	-	-	-	-	-	282,240	282,240
Total support and revenue	10,000	-	23,636	17,400	9,974	4,216	16,000	516,432	300,728	4,794,691
Net assets released from restrictions for the purpose of satisfying the following expenses										
Salaries and Benefits										
Lawyers	2,235	-	-	-	-	-	4,681	278,926	-	1,382,567
Non-lawyers	600	-	-	-	-	2,924	6,650	6,789	-	972,110
Employee benefits	1,165	-	-	-	-	928	4,575	150,536	765	977,892
Donated legal services	-	-	-	-	-	-	-	-	282,240	282,240
Total salaries and benefits	4,000	-	-	-	-	3,852	15,906	436,251	283,005	3,614,809
Grant to KEJCF	-	-	-	-	-	-	-	-	-	53,084
Children's Law Center	-	-	-	-	-	-	-	-	-	60,371
Contracted Client Services- Attorney	-	-	-	-	-	-	-	-	250	53,715
Contract services	-	-	-	-	-	-	-	16,070	12,137	308,425
Travel	-	-	-	-	-	-	-	-	3,541	81,278
Space and occupancy	-	-	3,397	-	-	-	-	19,316	-	114,025
Publications, dues and fees	-	-	-	-	-	-	-	-	-	23,360
Library updates	-	-	-	-	-	-	-	6,674	-	55,720
Telephone	-	-	-	-	-	-	-	13,626	-	69,659
Office expense	-	-	-	-	-	-	135	140	161	101,690
Litigation costs	-	-	-	-	-	-	-	-	-	3,983
Equipment purchase, rental, and repair	-	-	-	-	-	-	-	20,844	-	129,978
Recognition & Community Education	-	-	-	-	-	-	-	-	-	13,600
Interest	-	-	-	-	-	-	-	-	-	21,855
Seminars and training	-	-	-	-	-	-	76	-	1,484	69,917
Insurance	-	-	-	-	-	-	-	3,511	-	38,377
LAV Contractual Services	-	-	-	-	-	-	-	-	-	23,712
Bad debt expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	-	-	-	-	-	-	-	-	150	4,108
Net assets released from restrictions for the purpose of satisfying expenses	4,000	-	3,397	-	-	3,852	16,117	516,432	300,728	4,841,666
Change in net assets before equipment acquisitions and reclassifications	6,000	-	20,239	17,400	9,974	364	(117)	-	-	(46,975)
Equipment acquisitions and reclassifications	-	-	-	-	-	-	-	-	-	(127,842)
Net assets beginning of year	4,000	44,365	196,113	32,940	90,913	1,636	10,118	-	-	2,515,476
Net assets end of year	\$ 10,000	\$ 44,365	\$ 216,352	\$ 50,340	\$ 100,887	\$ 2,000	\$ 10,001	\$ -	\$ -	\$ 2,340,659

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, 2018**

	<u>Period</u>	<u>Award Amount</u>	<u>Recognized in 2018</u>
BEC SHIP Funding	01/18 - 12/18	\$ 70,000	\$ 70,000
BEC Facebook Ad Grant	03/18 - 09/18	50,000	10,000
Bluegrass Area Development District			
Title III	07/17 - 06/18	26,830	13,415
	07/18 - 06/19	26,830	13,515
MIPPA	10/16 - 09/17	55,655	21,123
	10/17 - 09/18	51,732	33,551
SHIP	07/17 - 06/18	95,904	47,952
	07/18 - 06/19	56,923	47,522
Buffalo Trace Area Development District			
Title III	07/17 - 06/18	10,013	1,841
	07/18 - 06/19	8,000	8,000
FIVCO			
TITLE VII Ombudsman	07/17 - 06/18	4,048	2,024
	07/18 - 06/19	4,437	2,211
Title VII Elder Abuse	07/17 - 06/18	2,454	1,228
	07/18 - 06/19	2,394	1,198
State Long Term Care Ombudsman	07/17 - 06/18	28,722	14,360
	07/18 - 06/19	28,548	14,274
MIPPA	10/17 - 09/18	13,282	9,961
	10/18 - 09/19	12,971	3,243
Title III B Ombudsman	07/17 - 06/18	15,606	7,802
	07/18 - 06/19	13,265	7,802
SHIP	04/17 - 06/18	22,376	11,188
	07/18 - 06/19	24,157	12,078
TITLE III Legal Assistance	07/17 - 06/18	9,737	4,868
	07/18 - 06/19	9,737	4,868
Gateway Area Development District			
Elder Abuse	07/17 - 06/18	1,539	768
	07/18 - 06/19	1,534	768
LTC STATE	07/17 - 06/18	28,377	14,189
	07/18 - 06/19	27,989	14,086
Title IIIB Ombudsman	07/17 - 06/18	14,800	7,400
	07/18 - 06/19	14,800	7,400
Title IIIB Legal Assistance	07/17 - 06/18	18,300	11,284
	07/18 - 06/19	18,300	18,300
Title VII Ombudsman	07/17 - 06/18	2,538	1,268
	07/18 - 06/19	2,843	1,415
SHIP	07/18 - 06/19	22,167	11,084
MIPPA	07/18 - 06/19	21,647	13,281

(Continued)

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

**Supplemental Schedule – Summary of Funding (Continued)
December 31, 2018**

	Period	Award Amount	Recognized in 2018
HUD Western Tennessee Legal Services	01/17 - 03/18	\$ 67,000	\$ 45,007
	07/18 - 09/19	91,000	44,617
IOLTA	09/17 - 08/18	113,627	75,751
	09/18 - 08/19	113,627	37,876
Kentucky File Fee (Access to Justice)	01/18 - 12/18	-	815,339
Kentucky General Fund	01/18 - 12/18	-	116,856
Legal Aid Society of Louisville			
Visitation and Custody Hotline	07/17 - 06/18	12,000	4,664
	07/18 - 06/19	12,000	6,000
Legal Assistance to Victims	10/15 - 9/18	600,000	172,002
	10/18 - 09/21	600,000	-
LSC			
Legal Services Corp. Basic	01/18 - 12/18	1,537,966	1,537,966
Legal Services Corp. TIG	07/18 - 06/19	26,000	9,600
Legal Services Corp. Vieth Leadership Grant	11/18 - 10/19	9,800	9,800
NKADD			
Boone County	07/17 - 06/18	18,600	7,755
	07/18 - 06/19	18,000	11,401
Campbell County	07/17 - 06/18	14,000	-
	07/18 - 06/19	16,010	10,893
Kenton County	07/17 - 06/18	2,500	-
	07/18 - 06/19	2,500	2,500
SHIP	07/17 - 06/18	46,528	23,265
	07/18 - 06/19	36,565	21,797
MIPPA	10/17 - 09/18	39,539	29,654
	10/18 - 09/19	38,485	9,621
Title III	07/17 - 06/18	26,067	-
	07/18 - 06/19	21,067	21,067
State of Kentucky Health Insurance			9,974
VOCA	10/17 - 09/18	458,314	351,429
	10/18 - 09/19	592,156	165,003
Other	Various		12,999
			<u>\$ 4,018,103</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, 2018, 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 26, 2019.

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 26, 2019
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, 2018. 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, 2018.

**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.

Barnes, Dennig & Co., Ltd.

April 26, 2019
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, 2018**

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, 2018**

Reference Number	Summary of Finding	Status
No matters are reportable		