



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B49448

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa


January 29, 2018

Board of Directors
Legal Aid Society of Evansville, Inc.
1 N.W. Martin Luther King, Jr. Blvd.
Evansville, IN 47708

We have reviewed the report prepared by Legal Aid Society of Evansville, Inc. and opined upon by Timothy J. Otte CPA, PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Legal Aid Society of Evansville, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Timothy J. Otte CPA, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

Timothy J.  Otte CPA, PC

LEGAL AID SOCIETY OF EVANSVILLE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

Phone: 812.490.8600 • Fax: 812.490.8601

P.O. Box 308 Newburgh IN. 47629

Member of American Institute of Certified Public Accountants and Indiana CPA Society

LEGAL AID SOCIETY OF EVANSVILLE, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Legal Aid Society of Evansville, Inc.

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

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Legal Aid Society of Evansville, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Legal Aid Society of Evansville, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tirathy J. CMT CPA PC
Newburgh, IN
June 20, 2017

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Current Assets					
Cash- Checking	\$ 99,386	\$ 6,175	\$ -	\$ 105,561	\$ 108,135
Cash- MM	155,982	-	-	155,982	154,431
Prepaid Cash Card	4,626	-	-	4,626	1,676
Total Current Assets	<u>259,994</u>	<u>6,175</u>	<u>-</u>	<u>266,169</u>	<u>264,241</u>
Property and Equipment					
Furniture and Equipment	55,697	-	-	55,697	55,697
Library	5,835	-	-	5,835	5,835
Leasehold Improvements	11,704	-	-	11,704	11,704
Less Accumulated Depreciation	(69,966)	-	-	(69,966)	(68,299)
Total Property and Equipment	<u>3,270</u>	<u>-</u>	<u>-</u>	<u>3,270</u>	<u>4,937</u>
Other Assets					
Agency Endowment	<u>-</u>	<u>-</u>	<u>10,864</u>	<u>10,864</u>	<u>10,000</u>
Total Assets	<u>\$ 263,264</u>	<u>\$ 6,175</u>	<u>\$ 10,864</u>	<u>\$ 280,302</u>	<u>\$ 279,178</u>
LIABILITIES AND NET ASSETS					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Net Assets	<u>263,264</u>	<u>6,175</u>	<u>10,864</u>	<u>280,302</u>	<u>279,178</u>
Total Liabilities and Net Assets	<u>\$ 263,264</u>	<u>\$ 6,175</u>	<u>\$ 10,864</u>	<u>\$ 280,302</u>	<u>\$ 279,178</u>

See notes to financial statements

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

SUPPORT AND REVENUE

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
City & County Funds	\$ 356,682	\$ -	\$ -	\$ 356,682	\$352,615
United Way Funds	57,021	-	-	57,021	48,470
Grant Funds- ICLAF	28,032	-	-	28,032	33,716
Interest Income	233	-	-	233	230
Client Funds	1,106	-	-	1,106	978
Other Income	6,076	-	-	6,076	7,951
Changes in Value of Agency Fund	-	-	864	864	-
Net Assets Released from Restrictions	2,247	(2,247)	-	-	-
Total Support and Revenue	<u>451,396</u>	<u>(2,247)</u>	<u>\$ 864</u>	<u>450,013</u>	<u>443,960</u>
 EXPENSES					
Program Services	368,089	-	-	368,089	358,955
Supporting Services	80,800	-	-	80,800	78,795
Total Expenses	<u>448,889</u>	<u>-</u>	<u>-</u>	<u>448,889</u>	<u>437,750</u>
 CHANGE IN NET ASSETS	 2,507	 (2,247)	 864	 1,124	 6,210
 NET ASSETS- BEGINNING OF YEAR	 <u>260,756</u>	 <u>8,422</u>	 <u>10,000</u>	 <u>279,178</u>	 <u>272,968</u>
 NET ASSETS- END OF YEAR	 <u>\$ 263,264</u>	 <u>\$ 6,175</u>	 <u>\$ 10,864</u>	 <u>\$ 280,302</u>	 <u>\$279,178</u>

See notes to financial statements

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

	Program Services	Supporting Services	2016 Total	2015 Total
Salaries	\$262,194	\$ 57,555	\$ 319,748	\$315,224
Payroll Taxes	19,342	4,246	23,588	23,085
Retirement	26,084	5,726	31,810	31,443
Office Supplies	2,804	616	3,420	5,647
Other Insurance	1,237	271	1,508	1,412
Meetings/Conferences	271	60	331	562
Postage	656	144	800	800
Telephone	1,181	259	1,440	1,320
Law Books	5,367	1,178	6,545	5,779
Professional Fees	4,225	927	5,153	5,235
Client Services	3,213	705	3,918	2,529
Printing	277	61	338	-
Advertising	810	178	988	988
Contractual Services	5,309	1,165	6,474	2,831
Rent	24,959	5,479	30,438	30,437
Malpractice Insurance	3,690	810	4,500	4,502
Dues & Subscriptions	1,537	337	1,874	1,992
Continuing Education	16	4	20	55
Miscellaneous	3,551	780	4,331	2,236
Depreciation	1,367	300	1,667	1,674
	<u>\$368,089</u>	<u>\$ 80,800</u>	<u>\$ 448,889</u>	<u>\$437,750</u>

See notes to financial statements

LEGAL AID SOCIETY OF EVANSVILLE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 1,124	\$ 6,210
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,667	1,674
Prepaid Expenses	(2,950)	(590)
Change in Value of Agency Fund	(864)	-
Net Cash Provided by Operations	<u>(1,023)</u>	<u>7,294</u>
Cash Flows From Investing Activities:		
Investments	-	(10,000)
Purchase of Furniture and Equipment	-	-
Net Cash Provided From Investing Activities	<u>-</u>	<u>(10,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,023)	(2,706)
Cash and Cash Equivalents at Beginning of Year	<u>262,566</u>	<u>265,272</u>
Cash and Cash Equivalents at End of Year	<u>\$ 261,543</u>	<u>\$ 262,566</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission - The Organization was founded in 1958 to provide free legal advice and representation to qualifying low income residents of Vanderburgh County in select civil matters. Approximately 900-1,000 cases are handled each year.

Basis of Accounting – The accompanying financial statements are presented on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 958, *Not-for-Profit Entities*, and the Organization reports information regarding its financial position and activities within three classes of net assets: unrestricted, temporarily restricted and permanently restricted based on donor specifications. The accompanying financial statements include the assets, liabilities, net assets and financial activities maintained by and directly under the administration of the Legal Aid Society, Inc.

Federal Income Taxes- The Organization is recognized as a non-profit organization, under Section 501(c)(3) of the Internal Revenue Code, by both federal and state taxing authorities and is exempt from income taxes.

The Organization's Federal Exempt From Income Tax Returns (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

Concentration of Credit Risk – The Organization received 80% of its funding from the City of Evansville and Vanderburgh County for the years ended December 31, 2016 and 2015, respectively.

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment - Building additions and equipment with an estimated useful life of greater than one year are recorded at cost. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized. The organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes.

Functional Allocation of Expenses – The costs of providing the various services, programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among services benefited.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, the Organization considers all investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Comparative Financial Information – The financial statements include certain prior-year summarized comparative information in the total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 2- RESTRICTED NET ASSETS

Temporarily restricted net assets are funds which are restricted by the donor. The assets are reclassified when the specified use of the funds is fulfilled. Temporarily restricted net assets at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
AD/GD	\$ 854	\$ 1,152
PUB/LIT	4,015	4,417
Other	<u>1,306</u>	<u>2,853</u>
	<u>\$ 6,175</u>	<u>\$ 8,422</u>

Permanently restricted assets consist of a contribution to an Agency Endowment Fund. (Note 6)

NOTE 3 - EMPLOYEE BENEFIT PLAN

The Organization provides retirement benefits to substantially all employees through individual annuities with the Public Employees Retirement Fund. It is the Organization’s policy to fund pension costs annually. Pension costs for the years ended December 31, 2016 and 2015 were \$31,810 and \$31,443, respectively.

NOTE 4- OPERATING AGREEMENT

The Organization operates under an Interlocal Governmental Agreement dated April 9, 1986 with the City of Evansville and Vanderburgh County. The Original agreement had a three year term and a provision whereby it is automatically renewed for successive terms of three years each, unless notice to terminate is given by either party.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

NOTE 5- LEASE AGREEMENTS

The Organization leases office space under an annually renewable lease agreement. The lease agreement is renewable on January 1st of each year. The lease expense for the years ended December 31, 2016 and 2015 were \$30,438 and \$30,437, respectively.

In addition, the Organization leases a copier under a noncancelable operating lease agreement that was extended in December of 2016 for an additional 48 months. Total lease expense for the years ended December 31, 2016 and 2015 were \$1,376 and \$1,376, respectively.

Future minimum lease payments under the noncancelable operating lease are as follows:

Year Ending December 31,	<u>Amounts</u>
2016	<u>1,376</u>
	<u>\$ 1,376</u>

NOTE 6- AGENCY ENDOWMENT FUND

The Organization on December 29, 2015 established an Endowment Fund with the Community Foundation Alliance, Inc. \$10,000 was initially contributed with an additional \$5,000 matched by the Vanderburgh Community Foundation. The Organization has granted the Foundation variance power which gives the Foundation's Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held at the Community Foundation Alliance, Inc. in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

Balance at January 1, 2016	\$10,000
Share of appreciation of fund	<u>864</u>
Balance at December 31, 2016	<u>\$10,864</u>

**LEGAL AID SOCIETY OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015**

NOTE 7- STATE AND LOCAL FUNDS

The Organization receives the majority of its funds from the City of Evansville/Vanderburgh County in accordance with a City/County budget. A process is utilized where vouchers are submitted to the Vanderburgh County Auditor and Treasurer for payment. For the years ended December 31, 2016 and 2015, \$356,882 and \$352,615 were expended from the City/County budget, respectively.

The Organization also receives funds from the Indiana Civil Legal Aid Fund, which is administered by the Indiana Supreme Court with funds provided by the Indiana Legislature. Distributions can vary from year to year and are based on analysis of each county's civil caseload, as it relates to the caseload for the entire state, and the number of organizations serving each county. During the years ended December 31, 2016 and 2015, \$28,031 and \$33,716 were received and expended, respectively.

NOTE 8- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through June 20, 2017, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.