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January 14, 2020

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

We have reviewed the audit report of Legal Aid Society of Evansville, Inc., which was opined upon by Timothy J. Otte CPA, PC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018 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 the audit report in accordance with the 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*  
Paul D. Joyce, CPA  
State Examiner

**LEGAL AID SOCIETY OF EVANSVILLE, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

# LEGAL AID SOCIETY OF EVANSVILLE, INC.

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## **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, 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.

### **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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated June 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Timothy J. Otto CPA PC*

Evansville, IN  
July 2, 2019

**LEGAL AID SOCIETY OF EVANSVILLE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

<b>ASSETS</b>	<b>Net Assets without Donor Restrictions</b>	<b>Net Assets with Donor Restrictions</b>	<b>2018 Total</b>	<b>2017 Total</b>
<b>Current Assets</b>				
Cash- Checking	\$ 103,903	\$ 4,610	\$ 108,513	\$ 112,399
Cash- MM	156,735	-	156,735	156,453
Prepaid Cash Card	3,327	-	3,327	5,062
Accounts Receivable	4,453	-	4,453	-
Total Current Assets	<u>268,417</u>	<u>4,610</u>	<u>273,027</u>	<u>273,914</u>
<b>Property and Equipment</b>				
Furniture and Equipment	55,454	-	55,454	55,454
Library	5,835	-	5,835	5,835
Leasehold Improvements	11,704	-	11,704	11,704
Less Accumulated Depreciation	(71,422)	-	(71,422)	(71,077)
Total Property and Equipment	<u>1,571</u>	<u>-</u>	<u>1,571</u>	<u>1,916</u>
<b>Other Assets</b>				
Agency Endowment	<u>-</u>	<u>11,564</u>	<u>11,564</u>	<u>12,391</u>
Total Assets	<u>\$ 269,988</u>	<u>\$ 16,174</u>	<u>286,163</u>	<u>\$ 288,220</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Assets</b>	<u>269,988</u>	<u>16,174</u>	<u>286,163</u>	<u>288,220</u>
Total Liabilities and Net Assets	<u>\$ 269,988</u>	<u>\$ 16,174</u>	<u>\$ 286,163</u>	<u>\$ 288,220</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

<b>SUPPORT AND REVENUE</b>	<b>Net Assets without Donor Restrictions</b>	<b>Net Assets with Donor Restrictions</b>	<b>2018 Total</b>	<b>2017 Total</b>
City & County Funds	\$ 367,506	\$ -	\$ 367,506	\$ 361,263
United Way Funds	56,590	-	56,590	53,428
Grant Funds- ICLAF	19,885	-	19,885	21,679
Investment Income	477	-	477	419
Client Funds	736	-	736	520
Other Income	7,195	-	7,195	6,384
Changes in Value of Agency Fund	-	(826)	(826)	1,527
Net Assets Released from Restrictions	399	(399)	-	-
Total Support and Revenue	<u>452,788</u>	<u>(1,225)</u>	<u>451,563</u>	<u>445,219</u>
 <b>EXPENSES</b>				
Program Services	402,238	-	402,238	358,587
Supporting Services	51,382	-	51,382	78,714
Total Expenses	<u>453,620</u>	<u>-</u>	<u>453,620</u>	<u>437,301</u>
 <b>CHANGE IN NET ASSETS</b>	 (832)	 (1,225)	 (2,058)	 7,918
 <b>NET ASSETS- BEGINNING OF YEAR</b>	 <u>270,821</u>	 <u>17,400</u>	 <u>288,220</u>	 <u>280,302</u>
 <b>NET ASSETS- END OF YEAR</b>	 <u>\$ 269,988</u>	 <u>\$ 16,174</u>	 <u>\$ 286,163</u>	 <u>\$ 288,220</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(With Summarized financial information for the Year Ended December 31, 2017)**

	<b>Program Services</b>	<b>Supporting Services</b>	<b>2018 Total</b>	<b>2017 Total</b>
Salaries	\$293,186	\$ 35,792	\$ 328,978	\$ 315,676
Payroll Taxes	21,855	2,701	24,556	23,309
Retirement	29,374	3,630	33,004	32,337
Office Supplies	2,036	-	2,036	2,007
Other Insurance	1,756	-	1,756	1,595
Meetings/Conferences	-	396	396	352
Postage	425	-	425	400
Telephone	1,282	158	1,440	1,560
Law Books	5,228	-	5,228	4,418
Professional Fees	-	5,250	5,250	4,830
Client Services	1,685	-	1,685	2,184
Advertising	988	-	988	988
Contractual Services	6,412	-	6,412	5,858
Rent	27,641	3,416	31,057	30,406
Malpractice Insurance	4,187	-	4,187	4,135
Dues & Subscriptions	2,417	-	2,417	2,424
Continuing Education	55	-	55	-
License & Fees	50	-	50	-
Miscellaneous	3,355	-	3,355	3,469
Depreciation	307	38	345	1,354
	<u>\$402,238</u>	<u>\$ 51,382</u>	<u>\$ 453,620</u>	<u>\$ 437,301</u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(With Summarized Information for the Year Ended December 31, 2017)**

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ (2,058)	\$ 7,918
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	345	1,354
Prepaid Expenses	1,734	(436)
Accounts Receivable	(4,453)	
Change in Value of Agency Fund	826	(1,527)
Net Cash Provided by Operations	<u>(3,604)</u>	<u>7,309</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of Furniture and Equipment	<u>-</u>	<u>-</u>
Net Cash Provided From Investing Activities	<u>-</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,604)</b>	<b>7,309</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>268,852</u>	<u>261,543</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 265,248</u></u>	<u><u>\$ 268,852</u></u>

See notes to financial statements

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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**

The Organization reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net Assets without Donor Restrictions-** These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

**Net Assets with Donor Restrictions-** These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

**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 federal and state income taxes. Management believes that all positions taken by the Organization in its federal and state income tax returns are more than likely than not to be sustained upon examination. Accordingly, no provision for federal or state income taxes is required. The Organization's income tax returns are subject to examination by the IRS, generally for three years after they were filed.

**Concentration of Credit Risk**

The Organization received 81% and 81% of its funding from the City of Evansville and Vanderburgh County for the years ended December 31, 2018 and 2017.

**Liquidity**

Assets are presented in the accompanying statements of financial position according to their nearest conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**Cash and Cash Equivalents**

For purposes of the Statement 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.

**Accounts Receivable**

Accounts receivable represents an amount due from a fundraiser and is stated at the amount the Organization expects to collect from the outstanding balance. As of December 31, 2018, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**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.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, costs have been allocated among the program and services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on time estimates made by management. Salaries included both direct expenses and allocated expenses based on time estimates. Payroll taxes, retirement, telephone, rent and depreciation are allocated solely based on time estimates.

**Property and Equipment**

The Organization follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment at cost; the fair market value of donated assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Maintenance and repairs are charged to expense as incurred; major improvements are capitalized.

**Advertising**

Advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2018 and 2017 were \$988 and \$988, respectively.

**Prior-Year Summarized Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in the total but not by net asset class or functional expense classification. 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, 2017, from which the summarized information was derived.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**New Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retroactively to the comparative period. There is no effect on the net assets, or change in net assets of the Organization due to the implementation of this new standard. The new standard changes the following aspects of the Organization’s financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The restricted net asset class has been renamed *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).
- The financial statements expand the disclosure requirements of functional expenses related to the allocation of expenses to include a description of the methods used to allocate those expenses (Note 1).

**NOTE 2- NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows for the years ended December 31, 2018 and 2017:

Specific purpose:	<u>2018</u>	<u>2017</u>
AD/GD	\$ 246	\$ 382
PUB/LIT	4,122	4,122
Other	<u>242</u>	<u>505</u>
	4,610	5,009
Endowment Funds:	<u>11,564</u>	<u>12,391</u>
Total Net Assets with Donor Restrictions	<u>\$ 16,174</u>	<u>\$ 17,400</u>

**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, 2018 and 2017 were \$33,004 and \$32,337, respectively.

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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.

**NOTE 5- LEASE AGREEMENTS**

The Organization leases office space under an annually renewable lease agreement. The lease agreement is renewable on January 1<sup>st</sup> of each year. The lease expense for the years ended December 31, 2018 and 2017 were \$31,057 and \$30,406, 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, 2018 and 2017 were \$1,369 and \$1,369, respectively.

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

Year Ending December 31,	<u>Amounts</u>
2019	\$ 1,369
2020	<u>1,369</u>
	<u>\$ 2,738</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, 2018	\$ 12,391
Losses and fees	<u>(827)</u>
Balance at December 31, 2018	<u>\$ 11,564</u>

**LEGAL AID SOCIETY OF EVANSVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017**

**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, 2018 and 2017, \$367,506 and \$361,263 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, 2018 and 2017, \$19,885 and \$21,679 were received and expended, respectively.

**NOTE 8- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of December 31, 2018, the Organization has financial assets at yearend of \$284,591. Of this total, \$268,418 is available within one year of the statement of financial position date to meet cash needs consisting of cash and cash equivalents of \$260,638, prepaid cash of \$3,327 and accounts receivable of \$4,453. \$4,610 of the financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date and \$11,564 is invested in an Agency Endowment Fund (Note 6) with a liquidity restriction greater than one year. The Organization's goal is to have six months reserve to comply with the request from United Way. As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. This includes investing excess cash in a money market account which was \$156,735 at December 31, 2018.

**NOTE 9- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions through July 2, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.