

KENTUCKY EQUAL JUSTICE CENTER

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016

PREPARED BY
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Kentucky Equal Justice Center

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Vickie C. Richardson, CPA, PSC
114 East High Street
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kentucky Equal Justice Center
Lexington, Kentucky

I have audited the accompanying financial statements of Kentucky Equal Justice Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Kentucky Equal Justice Center
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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Equal Justice Center 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.

Mt. Sterling, KY
December 7, 2017

This report contains 14 pages.

Kentucky Equal Justice Center
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Current assets	
Cash	\$ 208,154
Accounts receivable	<u>92,262</u>
Total current assets	<u>300,416</u>
Property and Equipment	
Computer equipment	55,397
Less accumulated depreciation	<u>(44,720)</u>
Net Property and equipment	<u>10,677</u>
Rental Deposit	<u>715</u>
Total assets	<u><u>\$ 311,808</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	169
Client trust funds	<u>\$ 5,911</u>
Total current liabilities	<u>6,080</u>
Long Term Liabilities	
Accrued leave	<u>25,842</u>
Total long term liabilities	<u>25,842</u>
Total liabilities	<u>31,922</u>
Net assets	
Unrestricted	103,392
Temporarily restricted	<u>176,494</u>
Total net assets	<u>279,886</u>
Total liabilities and net assets	<u><u>\$ 311,808</u></u>

See accompanying notes.

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Vickie C. Richardson, CPA, PSC

Kentucky Equal Justice Center
STATEMENT OF ACTIVITIES
For the year ended December 31, 2016

Unrestricted

	<u>Immigrant Rights Project</u>	<u>General Poverty Law and Administrative</u>	<u>Total Unrestricted</u>
Revenues:			
Grants	\$	\$ 30,500	\$ 30,500
Program Income	32,478	147,522	180,000
Donations	32,944	24,266	57,210
Client Fees	34,252	1,719	35,971
Attorney Fees	3,833	2,346	6,179
Interest		153	153
In-Kind Donations	<u>16,000</u>		<u>16,000</u>
Total revenue, gains and other support	<u>119,507</u>	<u>206,506</u>	<u>326,013</u>
Expenses:			
Case management	\$	\$ 1,447	\$ 1,447
Consultants			
Contract labor	2,400	2,461	4,861
Depreciation	285	7,265	7,550
Dues & subscriptions	602	2,414	3,016
Equipment rental	3,038	1,396	4,434
Insurance	591	1,647	2,238
Library	352	1,100	1,452
Miscellaneous	25	1,061	1,086
Office	17,358	16,163	33,521
Payroll	58,572	169,386	227,958
Postage	3,586	349	3,935
Printing	1,155	1,649	2,804
Professional	631	4,829	5,460
Task forces		293	293
Telephone	3,743	5,655	9,398
Travel	<u>3,033</u>	<u>3,648</u>	<u>6,681</u>
Total expenses	<u>\$ 95,371</u>	<u>\$ 220,763</u>	<u>\$ 316,134</u>
Change in net assets			9,879
Net assets, beginning of year			<u>93,513</u>
Net assets, end of year			<u>\$ 103,392</u>

See accompanying notes.

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Kentucky Equal Justice Center
STATEMENT OF ACTIVITIES
For the year ended December 31, 2016

Temporarily Restricted

Poverty Law Advocacy	Health Care Advocacy	Immigrant Rights Project	Total Temporarily Restricted	Total
\$ 80,000	\$ 177,000	\$ 69,200	\$ 326,200	\$ 356,700
			0	180,000
			0	57,210
				35,971
				6,179
				153
				16,000
<u>80,000</u>	<u>177,000</u>	<u>69,200</u>	<u>326,200</u>	<u>652,213</u>
\$ 247	\$ 247	\$ 284	\$ 778	\$ 2,225
	40,880		40,880	40,880
	600	1,000	1,600	6,461
				7,550
	125	495	620	3,636
	189	162	351	4,785
869	849	988	2,706	4,944
81	420		501	1,953
60			60	1,146
4,043	10,198	225	14,466	47,987
73,123	125,471	124,120	322,714	550,672
36	110	522	668	4,603
5	93	80	178	2,982
780	60	1,877	2,717	8,177
249	713		962	1,255
1,311	2,610	840	4,761	14,159
2,025	3,834	3,742	9,601	16,282
<u>\$ 82,829</u>	<u>\$ 186,399</u>	<u>\$ 134,335</u>	<u>\$ 403,563</u>	<u>\$ 719,697</u>
			(77,363)	(67,484)
			<u>253,857</u>	<u>347,370</u>
			<u>\$ 176,494</u>	<u>\$ 279,886</u>

Kentucky Equal Justice Center
STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

Cash flows from operating activities:

Change in net assets	\$ (67,484)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,550
(Increase)/ Decrease in current assets:	
Accounts receivable	45,576
Increase/(Decrease) in current liabilities:	
Accrued leave	(742)
Accounts payable	<u>(169)</u>
Net cash used by operating activities	<u>(15,269)</u>
Cash flows from investing activities:	
Rental deposit	<u>(715)</u>
Net cash used by investing activities	<u>(715)</u>
Decrease in cash	(15,984)
Cash, beginning of year	<u>224,138</u>
Cash, end of year	<u><u>\$ 208,154</u></u>

See accompanying notes.

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Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Office of Kentucky Legal Services Programs, Inc. (OKLSP) is a non-stock, non-profit organization formed in 1976. On June 11, 2007 and September 23, 2017 OKLSP filed for an assumed name, Kentucky Equal Justice Center (KEJC). KEJC serves as a coordinating agency for programs that provide free or nominally priced civil legal services to individuals and groups in the Commonwealth of Kentucky who are otherwise unable to afford legal assistance.

KEJC is funded by contracts with the four legal service programs in Kentucky whereby it receives a portion of civil filing fees earmarked through the state courts for civil legal services programs. The funding source allows KEJC to function under regular advocacy and lobbying rules for non-profit organizations. Approximately 27% of KEJC's total revenue is from the four legal service programs. KEJC also receives grants from various organizations. Approximately 54% of KEJC's total revenue is from grants.

As of January 2, 2008, KEJC entered into a Program Transfer Agreement with Repairers of the Breach, Inc. (the Repairers). Under the terms of the agreement, the Repairers transferred the management, operations, capital assets and cash balance of Maxwell Street Legal Clinic to KEJC.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

Financial statements of KEJC have been prepared following the recommendations of ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, KEJC reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. As of December 31, 2016, KEJC's net assets are unrestricted and temporarily restricted.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Instruments

KEJC's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. Cash and cash equivalents, accounts receivable and accounts payable are stated at cost, which approximates fair value.

Income Taxes

KEJC qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

KEJC's *Form 990, Return of Organization Exempt from Income Tax*, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Accounts Receivable

Accounts receivable at December 31, 2016 consists of the following:

Grants	\$ 72,576
Donations-due within one year	<u>19,686</u>
	<u>\$ 92,262</u>

Uncollectible accounts are charged to bad debt expense when they are declared uncollectible. Management believes the results of this method approximate the allowance for doubtful accounts.

Revenue Recognition

Grants and donations are recognized in the period the pledges are made. Program income, attorney's fees and client fees are recognized in the period the services are performed.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 – PROPERTY AND EQUIPMENT

Beginning balance office equipment and computers:	\$ 55,397
Additions:	-0-
Disposals:	<u>-0-</u>
Ending balance	55,397
Less accumulated depreciation	<u>(44,720)</u>
Ending balance:	<u>\$ 10,677</u>

KEJC capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives of five years. Software is amortized over three years.

NOTE 3 - PENSION PLAN

KEJC's employees are covered by the County Employees Retirement System (CERS), which is part of the Kentucky Retirement System. Full time employees participate in CERS and contribute 5% of their gross wages and new employees hired after September 1, 2008, contribute 1% additional. Total pension plan expense to KEJC was \$61,441. A Comprehensive Annual Financial Report on the Kentucky Retirement System may be requested from the following address:

Kentucky Retirement System
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets are available for the following periods:

Periods after December 31, 2016	\$176,494
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Net assets were released from the grant restrictions by incurring expenses satisfying the purpose specified by the grant as follows:

KY Bar Foundation	\$ 5,946
Public Welfare Foundation	80,439
HFCG Health Law Fellowship	84,726
Foundation for a Healthy Kentucky	50,059
CLINIC Legal	51,949
Bluegrass Community Foundation	9,195
Catholic Diocese	763
Fayette County Bar Foundation	5,000
Louisville Bar Foundation	2,392
United Way	15,216
Harvard Fellowship	44,465
DACA Client Assistance	2,300
Interact for Health	51,113
	<u>\$ 403,563</u>

NOTE 5 – IN-KIND CONTRIBUTIONS

The value of donated services included as contributions in the accompanying statement of activities and the corresponding expenses for the year ended December 31, 2016 are as follows:

Rent and utilities	<u>\$ 16,000</u>
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NOTE 6– CONTRACTS

KEJC entered into an agreement for 2016 with Kentucky Legal Services Funded Basic Field Programs. KEJC received \$180,000 for the following tasks:

- Providing support for the continued operation and development of inter-Program substantive law Task Forces of attorneys and paralegals.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 – CONTRACTS- CONTINUED

- Monitoring significant developments in poverty law at the state and national level, including legislative, executive and judicial forums.
- Providing information to staff and clients of the Programs on significant current developments in poverty law through task force mailings, email, listserve postings, presentations and other appropriate means.
- Coordinating responses of Program staff to requests from legislative and administrative officials for comments on bills, regulations and other proposals affecting low income Program clients.
- Providing access to information about immigration issues and immigrant eligibility for legal services through KEJC’s Immigrant Rights Project Attorney.
- Conducting and coordinating litigation on high impact and emerging poverty law issues.

KEJC signed an agreement for 2017 with identical provisions, including the \$180,000 annual fee.

NOTE 7 – GRANTS

On January 7, 2016, KEJC received a \$45,000 grant from Interact for Health, formerly the Health Foundation of Greater Cincinnati. The grant was matched with an equal amount in January 2016 by the Foundation for a Healthy Kentucky. The purpose of the grants was to sustain the infrastructure for health advocacy for low-income Kentuckians in 2016 through continuation of the Health Law Fellow position.

On February 26, 2016, the Foundation for a Healthy Kentucky awarded KEJC \$50,000 to renew its “Boots on the Ground” grant for health outreach, enrollment, consumer assistance and policy feedback around implementation of the Affordable Care Act in Kentucky.

In May, 2016, the Kentucky Bar Foundation awarded KEJC a \$10,000 grant for community education and case services focused on family-based immigration.

On May 21, 2016, KEJC was awarded a \$1,000 grant by the Catholic Diocese of Lexington, to be allocated in quarterly installments starting in August, for general support for Maxwell Street Legal Clinic with a focus on intake activities.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 – GRANTS-CONTINUED

On June 20, 2016, KEJC received a \$16,200 United Way of the Bluegrass grant for Maxwell Street Legal Clinic and AmeriCorps activities, with a focus on outreach and services that support work authorization and protect earnings. The grant represented the third year of a three year United Way regional funding cycle. The grant was paid in monthly installments.

In August 2016, Public Welfare Foundation awarded \$160,000 in continued funding for the work of KEJC's Employment Law Attorney on issues and projects centered on "wage theft" and worker safety, to be paid in two equal annual installments of \$80,000, with second year funding contingent upon satisfactory progress.

On August 15, 2016, KEJC received a \$2,500 grant from the Center for Responsible Lending to engage in education and advocacy to prevent predatory lending and protect the Consumer Financial Protection Bureau.

On September 22, 2016, the Foundation for a Healthy Kentucky awarded KEJC a Rapid Response grant of \$10,000 to support social media communications and video and audio story gathering around the impact of the Affordable Care Act in Kentucky.

On September 25, 2016, KEJC received a \$12,000 grant from a donor-advised fund at Blue Grass Community Foundation for Maxwell Street Legal Clinic general operations with an emphasis on support for the CLINIC Immigration Fellowship.

On September 29, 2016, KEJC received a \$25,000 grant from the Catholic Legal Immigration Network (CLINIC) to support the salary, benefits and operating cost of a CLINIC Fellowship during the second of two years.

On December 19, 2016, KEJC received an \$8,000 grant from a donor-advised family fund at Blue Grass Community Foundation for general support with an emphasis on capacity building.

On December 19, 2016, KEJC received a \$5,000 grant from the Fayette County Bar Foundation, to be used for general support of Maxwell Street Legal Clinic.

NOTE 8– SUBSEQUENT EVENTS

KEJC has evaluated subsequent events through December 7, 2017, the date on which the financial statements were issued.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 8– SUBSEQUENT EVENTS – CONTINUED

By grant agreement dated February 22, 2017, the Foundation for a Healthy Kentucky awarded KEJC \$50,000 for a one-year period starting April 1, 2017, to continue its “Boots on the Ground” initiative of health outreach, enrollment, consumer assistance and policy advocacy in partnership with the four federally-funded civil legal aid programs in Kentucky.

On April 6, 2017, KEJC opened a brokerage account at Vanguard as a means to invest the major gift of \$50,000 received in 2014 from the Mason Foundation and associated individuals for the benefit of Maxwell Street Legal Clinic, with the goal of receiving greater returns than those available through cash accounts.

On April 7, 2017, KEJC transferred \$52,000 to the newly opened Vanguard brokerage account, representing the initial Mason Foundation gift plus an amount deemed appreciation. The funds were held as cash at Vanguard pending approval of an Investment Policy (see below).

By letter dated April 18, 2017, the Shriver Center National Center on Poverty Law documented its agreement to provide KEJC a sub-grant of \$16,000 from a grant from the JPB Foundation to support KEJC’s engagement with Center for Community Change efforts in Kentucky.

By a grant agreement amendment dated May 5, Cincinnati-based Interact for Health awarded KEJC \$45,000 toward the KEJC Health Law Fellowship for 2017, plus an additional \$20,000 to support communications to the public, media and policy makers about Kentucky’s health gains under the Affordable Care Act. The \$45,000 grant matched funds provided in late 2016 by the Foundation for a Healthy Kentucky for the Fellowship.

On May 19, 2017, KEJC received a sub-grant of \$17,500 from Mountain Association for Community Economic Development (MACED) under its New Venture Fund Safety Net Defense Project, for joint work with MACED-based Kentucky Center for Economic Policy to defend the health care portion of the safety net in Kentucky.

By letter dated May 23, 2017, the Kentucky Bar Foundation notified KEJC of a grant award of \$11,000 for Maxwell Street Legal Clinic to assist families with immigrant members with emergency preparedness under its project “Preparing Families, Protecting Children.” The one year grant period began July 1, 2017.

By letter dated June 2017, the Catholic Diocese of Lexington notified KEJC of a \$5,000 grant, to be paid in quarterly installments, to support Maxwell Street Legal Clinic in its efforts to assist vulnerable individuals to navigate the complexities of the immigration system.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE 8– SUBSEQUENT EVENTS – CONTINUED

Effective July 1, 2017, United Way of the Bluegrass awarded KEJC \$16,000 for activities to help immigrants gain work authorization, financial stability, family reunification and citizenship. The funds represented the first year in a new three-year Regional funding cycle.

At its July 25, 2017, Board meeting, the KEJC board approved an Investment Policy developed by its Investment Committee to guide investment of the 2014 major gift from the Mason Foundation (or other future significant amounts not needed for operations). The policy addressed asset class limits, distribution guidelines and oversight by the committee and board. The KEJC board on July 25, 2017 also approved the Investment Committee's proposed initial investments, which then were executed by KEJC's director, as provided under the policy.

On August 24, 2017, Public Welfare Foundation awarded KEJC \$80,000 in continued funding for KEJC's Employment Law initiative centered on advocacy to combat wage theft and protect worker safety. The funding represented the second installment of a two-year grant of \$160,000.

On September 23, 2017, Kentucky Equal Justice Center received a grant award of \$13,200 from a donor-advised family fund at Blue Grass Community Foundation for general support, with the request that a significant portion of funds be used for immigration law and citizenship application services and to sustain the CLINIC Fellowship at Maxwell Street Legal Clinic.

On September 27, 2017, KEJC entered into a grant agreement for \$40,000 with the National Health Law Program to conduct activities designed to preserve and protect access to high quality health care, including through Medicaid, the ACA and the Americans with Disabilities Act.

Through a Letter of Commitment dated November 2, KEJC offered to be the host organization for a Skadden Fellow for the second year of a two-year fellowship, with the Fellow scheduled to begin work at KEJC on December 1, 2017. KEJC's offer was accepted by the Skadden Foundation, which in turn pledged to cover salary and most fringe benefits. The Fellow's proposed project focused on access to the courts for rural Kentuckians.

By letter dated November 7, the Fayette County Bar Foundation notified KEJC of a grant of \$5,000 for Maxwell Street Legal Clinic to be used in 2018 for general support with an emphasis on emergency preparedness by immigrant families.

Through a grant agreement dated December 1, 2017, the Foundation for a Healthy Kentucky awarded matching funds of \$45,000 to continue KEJC's Health Law Fellowship in 2018, with an additional \$45,000 to be sought later for 2018 from Interact for Health.