

**KENTUCKY EQUAL JUSTICE CENTER**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015

PREPARED BY  
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Kentucky Equal Justice Center

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***Vickie C. Richardson, CPA, PSC***  
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*Mount Sterling, KY 40353*

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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, 2015, 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, 2015, 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 1, 2016

This report contains 14 pages.

Kentucky Equal Justice Center  
STATEMENT OF FINANCIAL POSITION  
December 31, 2015

ASSETS

Current assets	
Cash	\$ 224,138
Accounts receivable	<u>137,838</u>
Total current assets	<u>361,976</u>
Property and Equipment	
Computer equipment	55,397
Less accumulated depreciation	<u>(37,170)</u>
Net Property and equipment	<u>18,227</u>
Total assets	<u><u>\$ 380,203</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	338
Client trust funds	<u>\$ 5,911</u>
Total current liabilities	<u>6,249</u>
Long Term Liabilities	
Accrued leave	<u>26,584</u>
Total long term liabilities	<u>26,584</u>
Total liabilities	<u>32,833</u>
Net assets	
Unrestricted	93,513
Temporarily restricted	<u>253,857</u>
Total net assets	<u>347,370</u>
Total liabilities and net assets	<u><u>\$ 380,203</u></u>

Kentucky Equal Justice Center  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2015

Unrestricted

	Immigrant Rights Project	General Poverty Law and Administrative	Total Unrestricted
<b>Revenues:</b>			
Grants	\$ 1,050	\$ 12,000	\$ 13,050
Program Income	31,436	153,621	185,057
Donations	24,831	15,472	40,303
Client Fees	17,721		17,721
Attorney Fees	5,430	7,672	13,102
Interest		154	154
In-Kind Donations	<u>16,000</u>	<u>4,406</u>	<u>20,406</u>
 Total revenue, gains and other support	 <u>96,468</u>	 <u>193,325</u>	 <u>289,793</u>
 <b>Expenses:</b>			
Case management	\$	\$ 1,521	\$ 1,521
Consultants	50		50
Contract labor	125	1,875	2,000
Depreciation	285	7,376	7,661
Dues & subscriptions	1,457	2,074	3,531
Equipment rental	2,532	335	2,867
Insurance	432	1,494	1,926
Library	120	1,054	1,174
Miscellaneous	268	856	1,124
Office	19,370	15,358	34,728
Payroll	56,355	140,605	196,960
Postage	2,730	872	3,602
Printing	1,552	1,052	2,604
Professional	140	4,193	4,333
Task forces		1,212	1,212
Telephone	3,780	5,363	9,143
Travel	<u>2,896</u>	<u>6,942</u>	<u>9,838</u>
 Total expenses	 <u>\$ 92,092</u>	 <u>\$ 192,182</u>	 <u>\$ 284,274</u>
 Change in net assets			 5,519
Net assets, beginning of year			 <u>87,994</u>
Net assets, end of year			 <u>\$ 93,513</u>

See accompanying notes.

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Temporarily Restricted

Poverty Law Advocacy	Health Care Advocacy	Immigrant Rights Project	Total Temporarily Restricted	Total
\$ 83,664	\$ 201,863	\$ 129,314	\$ 414,841	\$ 427,891
		3,000	3,000	188,057
		1,000	1,000	41,303
				17,721
				13,102
				154
				<u>20,406</u>
<u>83,664</u>	<u>201,863</u>	<u>133,314</u>	<u>418,841</u>	<u>708,634</u>
\$ 244	\$ 244	\$ 939	\$ 1,427	\$ 2,948
	28,800	50	28,850	28,900
1,050	660	2,765	4,475	6,475
				7,661
258	390	889	1,537	5,068
	135	200	335	3,202
723	723	290	1,736	3,662
	395		395	1,569
	133	80	213	1,337
3,139	5,758	302	9,199	43,927
72,153	140,397	52,244	264,794	461,754
76	45	283	404	4,006
70	72	127	269	2,873
316	60	1,120	1,496	5,829
1,554	837		2,391	3,603
1,472	1,778	1,108	4,358	13,501
<u>4,082</u>	<u>9,447</u>	<u>553</u>	<u>14,082</u>	<u>23,920</u>
<u>\$ 85,137</u>	<u>\$ 189,874</u>	<u>\$ 60,950</u>	<u>\$ 335,961</u>	<u>\$ 620,235</u>
			82,880	88,399
			<u>170,977</u>	<u>258,971</u>
			<u>\$ 253,857</u>	<u>\$ 347,370</u>

Kentucky Equal Justice Center  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2015

Cash flows from operating activities:

Change in net assets	\$ 88,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,661
In-kind donation of software	(1,606)
In-kind donation of printer	(2,800)
(Increase)/ Decrease in current assets:	
Accounts receivable	(67,030)
Increase/(Decrease) in current liabilities:	
Accrued leave	2,266
Accounts payable	(73)
Client trust funds	<u>177</u>
Net cash provided by operating activities	<u>26,994</u>
Cash flows from investing activities:	
Purchased computers	<u>(2,820)</u>
Net cash used by investing activities	<u>(2,820)</u>
Increase in cash	24,174
Cash, beginning of year	<u>199,964</u>
Cash, end of year	<u><u>\$ 224,138</u></u>

See accompanying notes.

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Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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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 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 26% of KEJC's total revenue is from the four legal service programs. KEJC also receives grants from various organizations. Approximately 60% 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, 2015, 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, 2015

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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 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they are filed.

Accounts Receivable

Accounts receivable at December 31, 2015 consists of the following:

Grants	\$ 119,633
Donations-due within one year	<u>18,205</u>
	<u>\$ 137,838</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, 2015

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NOTE 2 – PROPERTY AND EQUIPMENT

Beginning balance office equipment and computers:	\$ 48,171
Additions:	7,226
Disposals:	<u>-0-</u>
Ending balance	55,397
Less accumulated depreciation	<u>(37,170)</u>
Ending balance:	<u>\$ 18,227</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 \$50,543. 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, 2015

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NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets are available for the following periods:

Periods after December 31, 2015	\$253,857
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Net assets were released from the grant restrictions by incurring expenses satisfying the purpose specified by the grant as follows:

Public Welfare Foundation	\$ 84,541
Interact for Health	54,047
Foundation for a Healthy Kentucky	100,259
CLINIC Legal	6,052
Bluegrass Community Foundation	8,897
Catholic Diocese	1,333
Fayette County Bar Foundation	5,087
Louisville Bar Foundation	596
United Way	17,725
Access to Justice Foundation	35,566
Harvard Fellowship	20,738
DACA Client Assistance	1,120
	<u>\$ 335,961</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, 2015 are as follows:

Rent and utilities	<u>\$ 16,000</u>
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The value of donated software and computer equipment included as contributions in the accompanying statement of activities and the accompanying statement of financial position for the year ended December 31, 2015 is as follows:

Printer	\$ 2,800
Software	<u>1,606</u>
	<u>\$ 4,406</u>

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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NOTE 6– CONTRACTS

KEJC entered into an agreement for 2015 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.
- 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 2016 with identical provisions, including the \$180,000 annual fee.

NOTE 7 – GRANTS

On November 24, 2014, 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 2015 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 2015 through continuation of the Health Law Fellow position.

On May 18, 2015, 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.

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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NOTE 7 – GRANTS-CONTINUED

On May 27, 2015, 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.

In June, 2015, the Harvard Law School Public Service Venture Fund awarded \$45,000 to be paid in two installments. The purpose of the funds was to establish a one-year Fellowship for Harvard Law School graduate Sarah Adkins, a native of Somerset, KY, to provide immigration law services at Maxwell Street Legal Clinic. Under the terms of the Fellowship, KEJC was responsible for paying fringe benefits and operating cost. The grant funds were for Fellowship salary.

On June 11, 2015, KEJC received a \$16,314 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 second year of a three year United Way regional funding cycle. The grant is paid in monthly installments.

KEJC received a \$3,664 grant from the Louisville Bar Foundation, Inc. on June 18, 2015, to be used for a Bilingual Pro Se Wage Claim Clinic.

Effective May 15, 2015, KEJC received a renewal grant of \$80,000 from Public Welfare Foundation to continue support for a multi-year effort to achieve policy reforms that benefit workers in Kentucky by improving access to assistance for wage claims and protecting them from misclassification.

On September 24, 2015, KEJC received a \$50,000 grant from the Catholic Legal Immigration Network (CLINIC) to support the salary, benefits and operating cost of a CLINIC Fellowship during the first of two years.

On October 1, 2015, 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 the Harvard Public Interest Fellowship.

On December 21, 2015, 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 29, 2015, KEJC received a \$5,000 grant from the Fayette County Bar Foundation, to be used for general support of Maxwell Street Legal Clinic.

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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NOTE 8 – CONCENTRATIONS

KEJC maintains cash and cash equivalent balances at a financial institution in Lexington, Kentucky. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, KEJC's uninsured bank balances total \$7,969.

NOTE 9 – SUBSEQUENT EVENTS

KEJC has evaluated subsequent events through December 1, 2016, the date on which the financial statements were issued.

In January, 2016, the Foundation for a Healthy Kentucky awarded \$45,000 toward KEJC's Health Law Fellowship.

In February, 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 advocacy in partnership with the four federally-funded civil legal aid programs 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.

Effective July 5, 2016, United Way of the Bluegrass awarded KEJC a third year of funding of \$16,200 for Maxwell Street Legal Clinic. The funds were to be used for the third year of a three-year Regional funding cycle.

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 10, 2016, KEJC submitted an insurance claim for \$865 for client fees discovered in June to be missing at Maxwell Street Legal Clinic. KEJC also obtained a "drop box" safe and made changes in its fee collection protocol and staffing to minimize handling of cash and ensure that fees were protected.

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.

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015

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NOTE 9– SUBSEQUENT EVENTS - CONTINUED

At its September 23, 2016, meeting, the Kentucky Equal Justice Center board approved a motion to establish an Investment Committee to:

- oversee placement of the 2014 Mason Foundation donation to Maxwell Street Legal Clinic in a brokerage account
- recommend to the board an Investment Policy to guide this and future investments and related spending
- exercise oversight over investment funds

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.