

Kentucky Equal Justice Center Board

July 25, 2017

Legal Aid of the Bluegrass, Lexington

Agenda

11:00 Welcome and Introductions

- Approval of Minutes
- Highlights of Recent Activity

Administration and Development

- Financial Report through 2nd Quarter
- Development Update
- Report of the Audit Committee
- Report of the Investment Committee

Governance

- Report of the Nominating Committee
- Meeting Dates for 2017

12:15 Lunch

Big Picture, Joint Concerns and Joint Projects

- Legal Services Funding

Strategic Planning

- KEJC 40th Anniversary
- Top five ideas

Staff Reports

- Maxwell Street Legal Clinic
- Health Outreach, Advocacy and Communications
- Workers' Rights
- Impact Advocacy, Task Forces and Director Activities

Partner Reports

2:00 Adjournment

Kentucky Equal Justice Center

Board Minutes

April 21, 2017

Board Members Present: Christopher Frost, Mary O’Doherty (Community Members); Neva-Marie Polley, Amanda Young (Program Directors).

KEJC Staff: Miranda Brown, McKenzie Cantrell, Nathalie Dietrich, Leah Engle, Anne Marie Regan, Rich Seckel, Cara Stewart, Marcie Timmerman.

Guests: Acena Beck (Children’s Law Center); Scott Crocker (Director Emeritus of Kentucky Legal Aid).

Welcome and Introductions

A quorum not being present, Chair Chris Frost invited members to proceed through the agenda for information and discussion only. Chris invited Rich to share highlights of recent activity. Rich’s addressed several topics, as follows:

Welcome Leah Engle: Rich welcomed Leah Engle as the new Program Director Attorney for Maxwell Street Legal Clinic. Rich said he was impressed with how quickly Leah had plugged into her new role. He described a recent “get to know you” meeting in Frankfort with VOCA grant officials. Rich said the KEJC had team consisted of Leah, Nathalie and himself. He said that Leah and Nathalie’s knowledge and enthusiasm were abundantly evident during the meeting. Another good sign: the key grant budget official had looked over a sample budget and said “You need to ask for more money.” (KEJC did.)

“Yuge:” Rich said that Kentucky was among the states with the most to lose from Congressional action to repeal and replace the Affordable Care Act, with coverage for hundreds of thousands of people at stake. He said the decision of House leaders in late March to delay a vote on their bill was “yuge.” He said the unpopularity of the measure illustrated Abraham Lincoln’s maxim that “You can’t fool all the people all the time.” (The House later passed its bill but a similar Senate plan stalled.)

“I am a Kentuckian.” Rich described the “I am a Kentuckian” video and its release party at Smiley Pete Publishing in Lexington. Rich said that Lexington chef and artist Dan Wu had led the effort to create the video and organize the event. Rich said that proceeds from the release party went to KEJC and Kentucky Refugee Ministries. He said that Mr. Wu had been inspired by immigrant speakers at a rally at the Capitol in Frankfort. Many had introduced themselves saying “I am a Kentuckian.” Rich said KEJC board member Sandra Martinez was one of the Frankfort speakers. He said it was great to see members of the arts, food and cultural community support legal and policy work.

“You guys were relentless!” Rich said that KEJC first had ramped up social media to help protect Kentucky’s health gains. He said that Health Communications Coordinator Marcie Timmerman now was spending a couple of hours a week on workers’ rights and consumer issues, too. Rich said he was often unsure whether messages got traction out in cyberspace. He said a nice form of recognition had come during a national call on worker’s rights. The host had said of KEJC “You guys were relentless!” with messaging on the nomination of fast-food czar Andrew Puzder as Secretary of Labor. (Mr. Puzder had withdrawn from consideration.)

You never can tell: Rich said that social media posts sometimes drew unexpected positive reactions—and perhaps helped build relationships. He said that conservative state Senator John Schickel had favorited and retweeted KEJC’s thank you to Senator Julia Raque Adams. Senator Adams had co-sponsored bills to cap payday loan interest rates and strengthen penalties for violations of existing pay day loan law.

Every number just what it should be: Rich thanked Treasurer Mary O’Doherty for plugging away at the less than glamorous task of reconciling KEJC bank accounts. He said her efforts usually went without recognition or fanfare. But, he said, he couldn’t help but note that the last reconciliation session was especially satisfying: every account balanced on the first try.

Rich said that the KEJC Bylaws allowed the board to take action by unanimous written consent. He said that members present could make motions during the day’s discussion and he would circulate them to the full board by email.

Approval of Minutes

Chris invited a motion on the minutes of the last meeting.

- Motion:** Mary O’Doherty moved to approve the minutes of the December 8, 2016, board meeting.
- Second:** Neva-Marie Polley
- Action:** Approved later by unanimous written consent

Administration: Financial Report for FY 2016

Chris next recognized Rich to give the Financial Report. Rich said he would offer two reports, one for FY 2016 as a whole and the other for FY 2017 through the first quarter. He then drew the board’s attention to the handout for FY 2016. The cover sheet offered a summary as follows:

Profit and Loss Budget Overview: the budget for 2016 anticipated a loss of \$12,760 plus \$30,000 in spent down Fellowship funds, a total of -\$42,760.

Profit and Loss through December 31: showed a loss of \$67,224 compared to the expected loss of \$42,760—a negative variance of \$24,464.

Balance Sheet as of December 31: showed Total Current Assets of \$311,418, down 14% percent from \$361,976 on December 31, 2015.

Income and Expense Charts: 76.5% of spending was payroll. 54.6% of income was grants.

Rich said the negative Profit and Loss variance of \$24,464 corresponded almost exactly to the budgeted proceeds of \$25,000 from a 40th anniversary event. He said the event had been delayed from the fall so as not to conflict with holiday fundraising. Factoring out the missing event, Rich said, the program was almost exactly on budget.

Turning to the Balance Sheet, Rich said that a decline in Total Current assets had been expected in 2016 as KEJC spent down funds received in 2015 for the Harvard and CLINIC Fellowships. Rich said the Harvard Fellowship consisted of one-time funds. He said that CLINIC had provided \$50,000 in the first of two grant years and \$25,000 in the second.

Rich said he said that he had worked with Immigration Fellow Nathalie Dietrich to create a sustainability plan for the CLINIC Fellowship. Under the plan, the position would go from reliance on a single funding source to a more diverse portfolio.

Rich said that unrestricted assets appeared to decline during the year, from an audited figure of \$93,513 to an estimated \$55,656. Part of the story: KEJC spent over \$13,000 to fill a gap in the renewal of the workers' rights grant. Rich said he would return to the topic of unrestricted assets in his report on the first Quarter of 2017.

On Budget vs. Actual, Rich said that income had come in at 102% of projections—a nice figure—but expense at 105.7%, slightly “upside down” from ideal. He said that an income highlight was the strong figure for Maxwell Street client fees, over \$30,000. He then highlighted several spending lines, as follows:

Consultants: Rich said an overage of \$8,600 in the consultant line was driven by payments to videographer Ryan Morris for stories on consumer concerns about and experiences with health coverage. He said the activity was grant funded and did not affect the rest of the budget.

Rent: Rich said an overage on rent reflected an extra \$200 a month for the new office space in Louisville, starting midyear, plus inclusion of the value of in-kind rent for Maxwell Street Legal Clinic at \$16,000 a year. He said the \$16,000 also appeared as in-kind income, offsetting the spending figure.

Equipment: Rich said that the overage on equipment reflected a good decision to procure a much better printer for Maxwell Street Legal Clinic when the old lease ran out.

On months of reserves, Rich said that Total Current Assets as of December 31 would last about five and a half months (5.48 months) and unrestricted reserves just under one month (0.98 month) under the hypothetical scenario that no new funds would come in. Rich said the figures were close to his goal of 6 months and 1 month.

Rich noted that the board had authorized him to spend unrestricted reserves above 10 percent of budget on bookkeeping, fundraising assistance or both. He said unrestricted reserves were below the 10 percent threshold. As a result, he had held off on new spending.

Administration: Financial Report through March

Turning to the current year, Rich did a walk-through of the First Quarter report, as follows:

Profit and Loss Budget Overview: the budget adopted by the board for 2017 anticipated a loss of \$16,273, smaller than during the previous year.

Profit and Loss through March 31: showed a loss of \$88,052 compared to the expected loss of \$88,250, a positive variance of \$199, almost exactly on budget.

Balance Sheet as of March 31: showed Total Current Assets of \$223,867, down from \$311,418 on December 31 and down 39% percent from \$365,046 on March 31, 2016.

Income and Expense Charts: 76% of spending was payroll. 73% of income was from legal services programs.

On the Profit and Loss statement, Rich said that if one factored out the expected spend-down of \$20,000 in second-year funds from CLINIC for the immigration fellowship, the budget would be about a positive \$3,000 for the year.

Rich said the first quarter of the year normally was not a “big income time,” so the apparently large loss of \$88,052 was an expected function of cash flow. He said that half of funding for the Health Law Fellowship had not come in yet, but would soon.

Rich pointed out that a high proportion of income in the first quarter came from legal services programs, at 73%. He said he appreciated the programs’ investment in KEJC.

Rich predicted carryover at the end of the year at the budgeted amount of \$295,145. He said it was too early in the year to identify trends that would change the prediction. Turning to unrestricted funds, he noted that they had declined since the last report, from \$55,565 to \$45,384—still too little to take unbudgeted initiatives.

To build the unrestricted total, Rich said two strategies would help: finding sources of unrestricted income, like proceeds from an event, and finding new restricted sources to pay for portions of salary now covered with unrestricted funds.

On the latter point, he said there was good news on the horizon, with sub-grants to KEJC grants in the works from the national Legal Impact Network and from Kentucky Center for Economic Policy (KCEP). (See detail below.)

Turning to the Budget vs. Actual report, Rich said that income had come in at 84.4 percent of budget, due to the delay in the Fellowship and to a monthly allocation under the budget for unspecified new grants to be sought during the year. He said that spending had come in at 94.9% percent of budget and that net income was almost exactly on budget.

Rich said that the line for travel was high, in part occasioned by travel during the General Assembly. He noted that the line for donations was strong, driven by contributions to support Maxwell Street efforts to address immigrant communities' concerns about emergency preparedness.

Turning to the Balance Sheet, Rich said the decline in Total Current Assets from the previous year represented a combination of slow first quarter cash flow, the delay in funding for the Health Law Fellow and expected spend-down of the CLINIC Fellowship.

Rich noted that the Mason Fund contribution had been transferred to Vanguard, the firm selected by the Investment Committee. He said the funds were in a money market account and that the Committee would next consider investment in stocks and bonds, with an emphasis on index funds and socially screened funds.

On months of reserves, Rich said that Total Current Assets as of December 31 would last just over 4 months (4.21 months) and unrestricted reserves just under one month (0.85 month) under the hypothetical scenario that no new funds would come in. He noted again that the figures had declined and that he would like to build them up above a threshold of 10% of budget.

Administration: Development Update

Rich next turned to the handout "KEJC Recent Fundraising Effort." It showed what KEJC had sought in funding and what it had received, as follows:

- In 2016 KEJC had received 91 percent of what it sought through grants and fundraising campaigns (\$344,344 of \$378, 401).
- From 2011 through 2016, KEJC had received 75 percent of what it sought (\$1,907,521 of \$2,456,274).
- So far in 2016, KEJC had received a total of \$54,010 of \$175,064 sought, 31 percent of what it sought.

Rich said the low percentage return for the current year was not due to grants being turned down. Instead, most were still pending, awaiting a decision. Rich said that a bright spot in April was the good response to Kentucky Gives Day, at over \$3,000.

Looking ahead, Rich said that KEJC had been encouraged to apply for VOCA funds. Given the encouraging meeting in Frankfort, he said, the amount proposed would likely be more than the \$160,000 listed on the handout.

Rich said the agency reportedly had \$26 million more to distribute in the current year than the year before, so there was plenty to go around. He said that KEJC would propose launching a practice team to help immigrant victims of crime, likely including two case handlers and a full-time Legal Assistant.

Rich provided more detail on anticipated sub-grants from LIN and KCEP. He said LIN had received funds from a large foundation to work with the Center for Community Change and LIN members to encourage “lawyers to work with organizers.” He said that KEJC and Kentuckians for the Commonwealth were the partners in Kentucky.

Rich said that funds had come to Kentucky Center for Economic Policy through the Center on Budget and Policy Priorities, with sub-grants intended to foster partnerships around safety net issues—most urgently, to protect health gains under the Affordable Care Act.

Rich said each sub-grant could help boost unrestricted funds by picking up part of Anne Marie’s salary and his own, neither of which was supported by a large grant.

Administration: Audit and IRS 990 for 2016

Chris invited Rich to discuss plans for the audit and IRS 990 for 2016. Rich said that the services had been provided for the last three years by Vickie Richardson, who had been selected by the Audit Committee in 2014 after consideration of several bids.

Rich said that Ms. Richardson’s three-year bid was actually her second successful bid. He said he wasn’t exactly sure, but thought that she had provided the services for at least seven years. Rich said that best practice suggested that boards seek new auditors every few years to bring fresh eyes to the books and ensure that relationships did not become too “cozy.”

Former KLA director Scott Crocker said that changing firms was not necessarily required, since a new look also could be provided by a firm assigning new members to the task. Rich said that Vickie was a solo practitioner, though she had used an assistant for the 2015 audit and 990. Board members discussed whether to seek bids.

Motion: Neva-Marie Polley moved that KEJC Director Rich Seckel should obtain bids to perform an audit and complete the IRS 990 for FY 2016 and some combination of subsequent years, including a bid from current auditor Vickie Richardson.

Second: Mary O'Doherty

Action: Approved later by unanimous written consent

Governance: Community and Client Member Nominations Update

Chris invited Rich to address the governance topics on the agenda. Rich said that he had reviewed the terms of current board members and found that three two-year Community Member terms were coming to an end and one Client Member position was available.

Rich said that the KEJC Bylaws provided for up to three Client Members and the Board last year had approved nominees for two of three positions.

Rich said that he would check with Community Members with expiring terms about their wishes to continue and, before the next meeting, issue a call for nominations. He said that the Nominating Committee usually consisted of one member each from the four types of board membership: a Program Director, Client Member, Community Member and Staff Rep.

Rich suggested that the board appoint a Nominating Committee for the coming year with the same type of representation. He noted that the charge of the Nominating Committee also would include nominating officers for one year terms. He said he also would check with current officers about their wish to continue and let the committee know their response.

Motion: Mary O'Doherty moved to constitute the KEJC Nominating Committee to include members from each membership segment of the board, and, should anyone not be able to serve, to authorize Chair Chris Frost to appoint a replacement, as follows:

Client Member: Rosa Martin (if available)

Community Member: Bob Brown

Program Director: Neva-Marie Polley

Staff Representative: Angela Zeek

Second: Amanda Young

Action: Approved later by unanimous written consent

Governance: Proposed Meeting Dates 2017

Rich passed around a sheet with dates for four board meetings in 2017, as follows:

April 21

July 20 (later moved to July 25)

October 6
December 14

Big Picture, Joint Concerns and Joint Projects

Scott Crocker reported that the Trump administration budget proposed “zeroing out” the Legal Services Corporation, a proposal that, like others in the budget, appeared to come from the wish list of the Heritage Foundation.

Treasurer Mary O’Doherty said that, with other organizations, she had participated in several meetings with Republican House members or staff. Mary said they had indicated that their chamber would not follow the President’s budget but instead make its own.

Scott said that the Kentucky Congressional delegation generally was supportive of civil legal services. He said that the week after the board meeting the American Bar Association would hold its Day at the Capitol, with funding for LSC at the top of its agenda. Scott said that John Rosenberg, Gene Vance, Bill Robinson and others from the Kentucky bar would travel to DC for the ABA event.

Looking ahead, Scott said there was a good chance Congress would not complete work on a budget by the start of the federal fiscal year on October 1 and therefore would instead pass a Continuing Resolution (CR). Legal Aid Society director Neva-Marie Polley noted that the current CR would expire in just a few days, on April 28.

Chair Chris Frost said that debate over passing a new CR by April 28 could get hung up on any of several issues, including the Trump administration’s insistence on funds for “the wall.” Health Law Fellow Cara Stewart commented on the ongoing health care debate, saying that a Kaiser poll now showed that 64% of respondents said the new Republic majority “owned” health care.

Strategic Planning

Rich said that the Board had held good discussions on a variety of topics and that he had compiled notes and survey responses. He said he hoped to write them up soon and also could also bring up high profile ideas one by one for consideration and action.

Rich said that there was still time for a 40th anniversary celebration before the next KEJC birthday arrived in November. He said he was leaning toward an event that might be simpler than a big dinner. One idea was to hold a symposium on poverty law at Lexington’s Lyric Theatre, followed by a reception there. A variation of the idea: initiate awards for contributions to the cause of equal justice.

Staff Reports

KEJC staff and guest Acena Beck reported on activities, issues, projects and successes. Because no board action was required in response, summaries are reported separately. As

well, written staff reports are posted on the KEJC board web page under the April 21, 2017, heading at:

www.kyequaljustice.org/Board+Meetings.

Adjournment

The agenda being completed, the meeting was adjourned by acclamation.

Reported by:

Richard J. Seckel, Director
July 16, 2017

Kentucky Equal Justice Center

Investment Committee Meeting

July 10, 2017

Committee Members Present: Brenda Combs, Marilyn Daniel, Mary O'Doherty, John Rosenberg (Chair).

KEJC Staff Present: Rich Seckel (Director).

The KEJC Investment Committee convened by conference call at 4:00 p.m. on July 10, 2017. The charge of the committee, as established by Board motion, was to:

- decide where to invest the donation from the Mason Foundation
- recommend to the Board an Investment Policy to guide this and future investments and related spending
- exercise oversight over investment funds

A quorum being present, Chair John Rosenberg began the meeting. John invited KEJC Director Rich Seckel to present recommendations for discussion. Rich said that he had reviewed several investment policies in order to create a draft.

Rich said that most investment policies seemed to be designed for management of much larger amounts than KEJC had to invest. He said that generally they contemplate engaging an active investment manager, with attendant fees and benchmarks for performance. Rich said that KEJC differed in that the amount to be invested was relatively small. As well, the committee had decided to avoid fees by taking a self-managed approach and investing in index funds and mutual funds with low fees.

Rich thanked John for his comments on the initial draft investment policy. He said the comments had made clear to him that the policy ideally would address three types of investments:

- true endowments in which the corpus cannot be spent
- quasi-endowments like the Mason Fund, which allowed spending of the corpus under conditions specified by the donors
- non-endowments like investments of a large attorneys' fees settlement

Marilyn Daniel asked for clarification on whether the investment decisions to be made during the meeting applied only to the Mason Fund. Rich said that, yes, the proposed investments to be discussed were for the Mason Fund only but the draft policy was intended to cover endowments and non-endowed investments, too. He said that the Mason fund would be kept separate in its own account.

Investment Choices

Rich reviewed the proposed investment choices he had sent to the committee. He said the choices were all Vanguard funds with low fees in a mixture of social screening and broad indexes, plus a money market fund for cash. The proposed allocation:

\$11,700 [Vanguard FTSE Social Index Fund Investor Shares \(VFTSX\)](#)
\$11,700 [Vanguard 500 Index Fund Admiral Shares \(VFIAX\)](#)
\$11,700 [Vanguard Balanced Index Fund Admiral Shares \(VBIAX\)](#)
\$11,700 [Vanguard Total Bond Market Index Fund Admiral Shares \(VBTLX\)](#)
\$ 5,200 Money Market Fund (plus any earnings)

Rich said he had checked the Morningstar rating of each fund, as suggested by John. Rich said he had found that the bond index fund was rated three stars while the others were rated four or five. Rich recommended dropping the bond fund from the list and dividing the Mason Fund investment between the three remaining funds, with 10 percent plus any earnings in the Vanguard money market fund to be left as cash. Following detailed discussion:

Motion: Marilyn Daniel moved to allocate the Mason Fund investment in the Vanguard brokerage account as follows:

\$13,000 [Vanguard FTSE Social Index Fund Investor Shares \(VFTSX\)](#)
\$13,000 [Vanguard 500 Index Fund Admiral Shares \(VFIAX\)](#)
\$25,000 [Vanguard Balanced Index Fund Admiral Shares \(VBIAX\)](#)
\$ 1,000 Money Market Fund (plus any earnings)

Second: Mary O'Doherty
Action: Approved unanimously

Rich said he would double check the language but that the Board's charge to the committee to decide "where to invest" appeared to allow him to go ahead and make the investments.

Investment Policy

Board members engaged in section-by-section review and discussion of the draft Investment Policy. Topics discussed included annual distribution limits, asset class ranges and clarification of the separate provisions for endowments, non-endowed investments and the Mason Fund.

Motion: Brenda Combs moved to recommend the draft policy to the full Board for approval, with the changes agreed upon during review.

Second: Mary O'Doherty
Action: Approved unanimously

Rich said he would finalize the document and circulate it to the members for their review and then to the board for approval. John thanked the members of the committee for their participation.

Reported by:

Richard J. Seckel, Director
July 11, 2017

Kentucky Equal Justice Center

Audit Committee Minutes

July 21, 2017

Board Members Present: Bob Brown (Chair), Mary O’Doherty (Treasurer); Chris Frost (Board Chair, ex officio).

KEJC Staff Present: Rich Seckel (Director).

The KEJC Audit Committee convened by conference call at 11:00 a.m. on July 21, 2017, with KEJC Board Chair Chris Frost participating ex officio.

The task before the committee was to make a recommendation on audit bids.

As directed by board motion, Director Rich Seckel had obtained five bids, including one from current auditor Vickie Richardson. Several weeks before the meeting, he had distributed the bids to the committee and Board Chair, with an evaluation grid that included a summary of proposed charges.

Bob Brown volunteered to chair the call. Members discussed the bids, including any knowledge they had of the firms bidding, their perceptions of the comparability of services and the costs. Members noted that Ms. Richardson’s bid was almost \$3,000 cheaper for 2016 than the closest other bid, with similar differences in future years.

Members discussed the function of the audit, the qualifications of the bidders, the “fresh pair of eyes” opportunity and the cost.

Motion: Mary O’Doherty moved to recommend that the board accept the 3-year proposal of Vickie C. Richardson, CPA, PSC, to conduct an audit and prepare the IRS 990 for KEJC for FY 2016, 2017 and 2018.

Second: Bob Brown

Action: Approved unanimously

Board members present suggested that Rich provide a copy of Ms. Richardson’s bid to the Board for review. Rich said he would.

Reported by:

Richard J. Seckel, Director
July 21, 2017



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Memorandum

DATE: July 10, 2017
TO: Kentucky Equal Justice Center Board
FROM: Rich Seckel, Director
RE: Financial report through June 30

The following financial reports are attached:

Profit and Loss Budget Overview: budget for 2017 anticipates a loss of \$16,273.

Profit and Loss through June 30: shows a loss of \$7,374 compared to the expected loss of \$68,101—a positive variance of \$60,727.

Balance Sheet as of June 30: shows Total Current Assets of \$304,026, up from \$223,563 on March 31 and up 6.8% percent from \$284,616 on June 30, 2016.

Income and Expense Charts: 80.9% of spending was payroll. 56.5% of income was from grants.

Carryover Prediction

| | | |
|---|---|------------------|
| Total Current Assets December 31, 2016 | | \$311,418 |
| Budgeted Profit & Loss for the Year | - | \$ 16,273 |
| Projected Balance December 31, 2017 | | \$295,145 |

Unrestricted Funds

| | | |
|----------------|-----------------|-----------------|
| Audited | 12/31/12 | \$24,254 |
| Audited | 12/31/13 | \$66,405 |
| Audited | 12/31/14 | \$87,994 |
| Audited | 12/31/15 | \$93,513 |
| Estimated | 12/31/16 | \$55,565 |
| Estimated | 3/31/17 | \$45,384 |
| Estimated | 6/30/17 | \$56,534 |

KEJC Unrestricted Funds Balance

June 30, 2017

| | Balance |
|-----------------------------|-------------------|
| Total Current Assets | 304,026.33 |

Restricted Funds

| | |
|-----------------------------------|-----------|
| AILA Midsouth | 1,555.73 |
| BGCF Citizenship | 5,532.35 |
| BGCF Capacity | 3,195.52 |
| Catholic Diocese of Lexington | 0.00 |
| CLINIC Fellowship | 9,450.67 |
| Fayette County Bar Foundation | 2,348.35 |
| Foundation for a Healthy KY Boots | 39,980.33 |
| Health Law Fellowship | 54,366.58 |
| Health Law Match Challenge | 20,881.59 |
| Health Gains Communications | 18,780.96 |
| KCEP New Venture | 13,518.58 |
| Kentucky Bar Foundation | 0.00 |
| LIN CCC | 13,235.39 |
| Mason Fund | 52,088.52 |
| KEJC Endowment | 16,558.99 |
| Public Welfare Foundation | 0.00 |
| United Way of the Bluegrass | 0.00 |

| | |
|------------------------------|-------------------|
| Total Restricted | 251,493.56 |
| Subtotal Unrestricted | 52,532.77 |

Obligated Funds

| | |
|------------------------------|-----------------|
| Client Trust | 5,911.00 |
| Undistributed Attorneys Fees | 3,991.00 |
| Client Funds | 1,920.00 |

| | |
|---------------------------|------------------|
| Total Unrestricted | 56,523.77 |
|---------------------------|------------------|

Kentucky Equal Justice Center
Profit & Loss Budget Overview
 January through December 2017

| | Jan - Dec 17 |
|--------------------------------|---------------------|
| Ordinary Income/Expense | |
| Income | |
| Other Donations | 42,000.00 |
| Grants | 335,800.00 |
| Miscellaneous Income | 25,000.00 |
| Program Income | 180,000.00 |
| Program Services | 37,840.00 |
| Total Income | 620,640.00 |
| Expense | |
| Audit | 4,882.50 |
| Capital Additions | 3,000.00 |
| Case Management | 2,720.00 |
| Consultants | 17,610.00 |
| Contract Labor | 9,750.00 |
| Dues | 4,440.00 |
| Equipment Rental | 6,612.56 |
| Insurance | 4,000.00 |
| Library | 2,100.00 |
| Litigation expense | 2,880.00 |
| Miscellaneous | 1,440.00 |
| Office Supplies | 7,320.00 |
| Payroll Expenses | 500,477.85 |
| Postage and Delivery | 3,810.00 |
| Printing and Reproduction | 4,620.00 |
| Professional Fees | 300.00 |
| Rent | 22,500.00 |
| Repairs | 840.00 |
| Task Forces and Meetings | 3,180.00 |
| Telephone | 13,010.00 |
| Travel | 22,200.00 |
| Total Expense | 637,692.91 |
| Net Ordinary Income | -17,052.91 |
| Other Income/Expense | |
| Other Income | |
| Interest Income | 780.00 |
| Total Other Income | 780.00 |
| Net Other Income | 780.00 |
| Net Income | -16,272.91 |

Kentucky Equal Justice Center
Profit & Loss
January through June 2017

| | <u>Jan - Jun 17</u> |
|--------------------------------|-------------------------|
| Ordinary Income/Expense | |
| Income | |
| Other Donations | 24,696.46 |
| Grants | 162,000.00 |
| Miscellaneous Income | 698.50 |
| Program Income | 90,000.00 |
| Program Services | 8,405.00 |
| Total Income | <u>285,799.96</u> |
| Expense | |
| Case Management | 2,225.00 |
| Consultants | 400.00 |
| Contract Labor | 1,100.00 |
| Dues | 2,821.90 |
| Equipment Rental | 2,939.39 |
| Insurance | 5,222.21 |
| Library | 1,183.26 |
| Litigation expense | 1,018.60 |
| Miscellaneous | 732.71 |
| Office Supplies | 4,205.38 |
| Payroll Expenses | 237,638.68 |
| Postage and Delivery | 2,141.73 |
| Printing and Reproduction | 821.28 |
| Rent | 12,309.68 |
| Repairs | 75.00 |
| Task Forces and Meetings | 614.04 |
| Telephone | 6,640.19 |
| Travel | 11,814.65 |
| Total Expense | <u>293,903.70</u> |
| Net Ordinary Income | -8,103.74 |
| Other Income/Expense | |
| Other Income | |
| Interest Income | 729.46 |
| Total Other Income | <u>729.46</u> |
| Net Other Income | 729.46 |
| Net Income | <u><u>-7,374.28</u></u> |

Kentucky Equal Justice Center
Profit & Loss Budget vs. Actual
January through June 2017

| | <u>Jan - Jun 17</u> | <u>Budget</u> | <u>\$ Over Budget</u> | <u>% of Budget</u> |
|--------------------------------|-------------------------|--------------------------|-------------------------|----------------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| Other Donations | 24,696.46 | 8,600.00 | 16,096.46 | 287.17% |
| Grants | | | | |
| KCEP New Venture | 17,500.00 | | | |
| LIN CCC | 16,000.00 | | | |
| Health Gains Communications | 20,000.00 | 10,000.00 | 10,000.00 | 200.0% |
| FHKY RHP Boots | 50,000.00 | 50,000.00 | 0.00 | 100.0% |
| Catholic Diocese of Lexington | 500.00 | 500.00 | 0.00 | 100.0% |
| HFGC Health Law Fellowship | 45,000.00 | 45,000.00 | 0.00 | 100.0% |
| Kentucky Bar Foundation | 11,000.00 | 8,000.00 | 3,000.00 | 137.5% |
| Restricted | 0.00 | 18,000.00 | -18,000.00 | 0.0% |
| Unrestricted | 2,000.00 | 900.00 | 1,100.00 | 222.22% |
| Total Grants | <u>162,000.00</u> | <u>132,400.00</u> | <u>29,600.00</u> | <u>122.36%</u> |
| Miscellaneous Income | 698.50 | 0.00 | 698.50 | 100.0% |
| Program Income | 90,000.00 | 90,000.00 | 0.00 | 100.0% |
| Program Services | <u>8,405.00</u> | <u>18,920.00</u> | <u>-10,515.00</u> | <u>44.42%</u> |
| Total Income | <u>285,799.96</u> | <u>249,920.00</u> | <u>35,879.96</u> | <u>114.36%</u> |
| Expense | | | | |
| Capital Additions | 0.00 | 1,500.00 | -1,500.00 | 0.0% |
| Case Management | 2,225.00 | 2,720.00 | -495.00 | 81.8% |
| Consultants | 400.00 | 8,805.00 | -8,405.00 | 4.54% |
| Contract Labor | 1,100.00 | 1,500.00 | -400.00 | 73.33% |
| Dues | 2,821.90 | 2,940.00 | -118.10 | 95.98% |
| Equipment Rental | 2,939.39 | 3,306.28 | -366.89 | 88.9% |
| Insurance | 5,222.21 | 4,000.00 | 1,222.21 | 130.56% |
| Library | 1,183.26 | 1,050.00 | 133.26 | 112.69% |
| Litigation expense | 1,018.60 | 1,440.00 | -421.40 | 70.74% |
| Miscellaneous | 732.71 | 720.00 | 12.71 | 101.77% |
| Office Supplies | 4,205.38 | 3,660.00 | 545.38 | 114.9% |
| Payroll Expenses | 237,638.68 | 250,190.03 | -12,551.35 | 94.98% |
| Postage and Delivery | 2,141.73 | 1,905.00 | 236.73 | 112.43% |
| Printing and Reproduction | 821.28 | 2,310.00 | -1,488.72 | 35.55% |
| Professional Fees | 0.00 | 150.00 | -150.00 | 0.0% |
| Rent | 12,309.68 | 12,600.00 | -290.32 | 97.7% |
| Repairs | 75.00 | 420.00 | -345.00 | 17.86% |
| Task Forces and Meetings | 614.04 | 1,590.00 | -975.96 | 38.62% |
| Telephone | 6,640.19 | 6,505.00 | 135.19 | 102.08% |
| Travel | 11,814.65 | 11,100.00 | 714.65 | 106.44% |
| Total Expense | <u>293,903.70</u> | <u>318,411.31</u> | <u>-24,507.61</u> | <u>92.3%</u> |
| Net Ordinary Income | <u>-8,103.74</u> | <u>-68,491.31</u> | <u>60,387.57</u> | <u>11.83%</u> |
| Other Income/Expense | | | | |
| Other Income | | | | |
| Interest Income | <u>729.46</u> | <u>390.00</u> | <u>339.46</u> | <u>187.04%</u> |
| Total Other Income | <u>729.46</u> | <u>390.00</u> | <u>339.46</u> | <u>187.04%</u> |
| Net Other Income | <u>729.46</u> | <u>390.00</u> | <u>339.46</u> | <u>187.04%</u> |
| Net Income | <u><u>-7,374.28</u></u> | <u><u>-68,101.31</u></u> | <u><u>60,727.03</u></u> | <u><u>10.83%</u></u> |

Kentucky Equal Justice Center
Balance Sheet
As of June 30, 2017

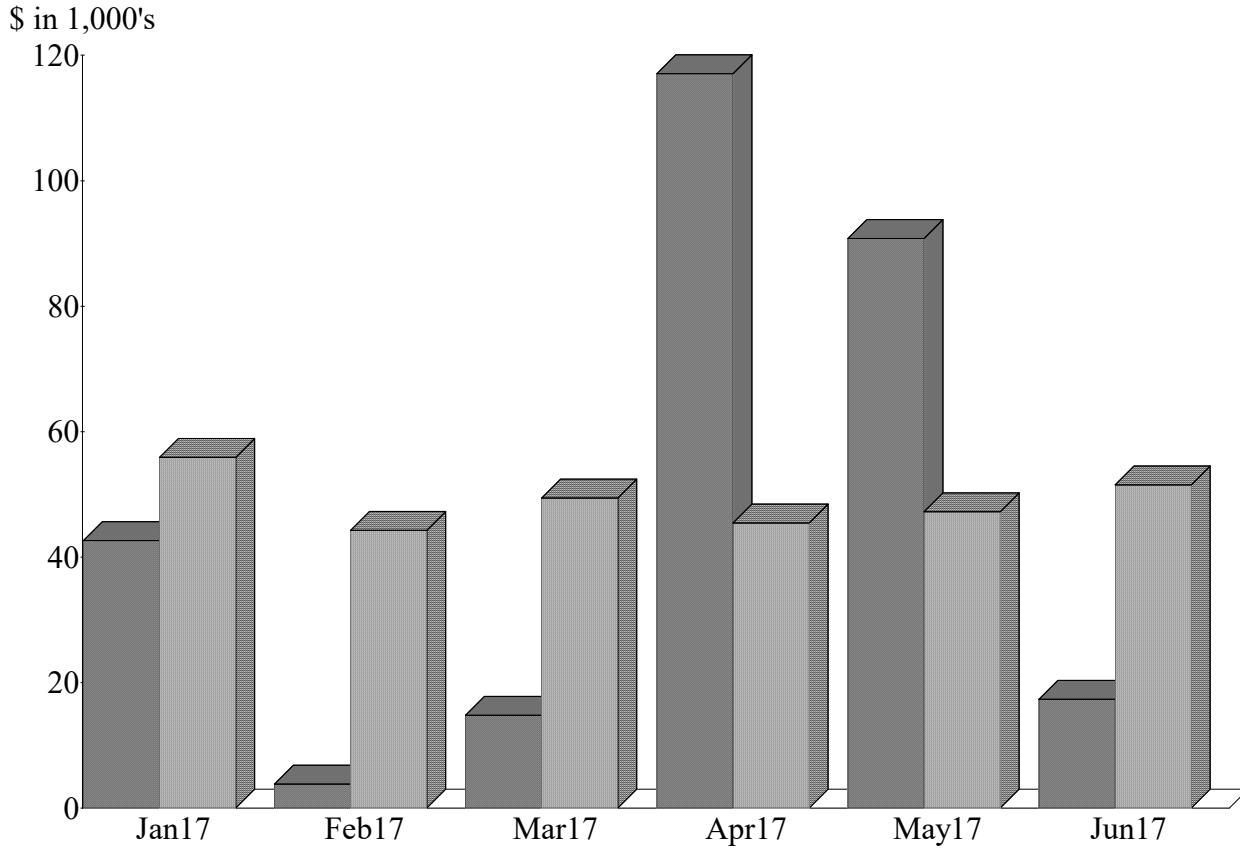
| | <u>Jun 30, 17</u> |
|--|--------------------------|
| ASSETS | |
| Current Assets | |
| Checking/Savings | |
| Chase Checking | 109,862.20 |
| Chase Savings | 89,920.29 |
| Chase IOLTA | 3,620.33 |
| KEJC Endowment Fund | 16,558.99 |
| Vanguard Brokerage | 52,088.52 |
| Total Checking/Savings | <u>272,050.33</u> |
| Accounts Receivable | |
| Accounts Receivable | 31,976.00 |
| Total Accounts Receivable | <u>31,976.00</u> |
| Total Current Assets | 304,026.33 |
| Other Assets | |
| Rental Deposit | 715.00 |
| Accumulated Depreciation - Comp | -44,719.97 |
| Computer and Phone Equipment | 55,396.80 |
| Total Other Assets | <u>11,391.83</u> |
| TOTAL ASSETS | <u><u>315,418.16</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Other Current Liabilities | |
| Client Trust Funds | 5,911.00 |
| Direct Deposit Liabilities | 172.97 |
| Payroll Liabilities | -3.88 |
| Total Other Current Liabilities | <u>6,080.09</u> |
| Total Current Liabilities | 6,080.09 |
| Long Term Liabilities | |
| Accrued leave | 26,584.33 |
| Total Long Term Liabilities | <u>26,584.33</u> |
| Total Liabilities | 32,664.42 |
| Equity | |
| Temporarily Restricted Net Asse | 253,856.75 |
| Opening Bal Equity | 62,900.79 |
| Retained Earnings | -26,629.52 |
| Net Income | -7,374.28 |
| Total Equity | <u>282,753.74</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>315,418.16</u></u> |

Kentucky Equal Justice Center
Balance Sheet Prev Year Comparison
As of June 30, 2017

| | Jun 30, 17 | Jun 30, 16 | \$ Change | % Change |
|--|-------------------|-------------------|------------------|-------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Checking/Savings | | | | |
| Chase Checking | 109,862.20 | 50,890.86 | 58,971.34 | 115.9% |
| Chase Savings | 89,920.29 | 141,818.67 | -51,898.38 | -36.6% |
| Chase IOLTA | 3,620.33 | 3,620.00 | 0.33 | 0.0% |
| KEJC Endowment Fund | 16,558.99 | 10,000.00 | 6,558.99 | 65.6% |
| Vanguard Brokerage | 52,088.52 | 0.00 | 52,088.52 | 100.0% |
| Total Checking/Savings | 272,050.33 | 206,329.53 | 65,720.80 | 31.9% |
| Accounts Receivable | | | | |
| Accounts Receivable | 31,976.00 | 77,094.75 | -45,118.75 | -58.5% |
| Total Accounts Receivable | 31,976.00 | 77,094.75 | -45,118.75 | -58.5% |
| Other Current Assets | | | | |
| Undeposited Funds | 0.00 | 1,191.94 | -1,191.94 | -100.0% |
| Total Other Current Assets | 0.00 | 1,191.94 | -1,191.94 | -100.0% |
| Total Current Assets | 304,026.33 | 284,616.22 | 19,410.11 | 6.8% |
| Other Assets | | | | |
| Rental Deposit | 715.00 | 715.00 | 0.00 | 0.0% |
| Accumulated Depreciation - Comp | -44,719.97 | -37,169.73 | -7,550.24 | -20.3% |
| Computer and Phone Equipment | 55,396.80 | 55,396.80 | 0.00 | 0.0% |
| Total Other Assets | 11,391.83 | 18,942.07 | -7,550.24 | -39.9% |
| TOTAL ASSETS | 315,418.16 | 303,558.29 | 11,859.87 | 3.9% |
| LIABILITIES & EQUITY | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | | | | |
| Accounts Payable | 0.00 | 191.22 | -191.22 | -100.0% |
| Total Accounts Payable | 0.00 | 191.22 | -191.22 | -100.0% |
| Other Current Liabilities | | | | |
| Client Trust Funds | 5,911.00 | 5,911.00 | 0.00 | 0.0% |
| Direct Deposit Liabilities | 172.97 | 172.97 | 0.00 | 0.0% |
| Payroll Liabilities | -3.88 | 414.61 | -418.49 | -100.9% |
| Total Other Current Liabilities | 6,080.09 | 6,498.58 | -418.49 | -6.4% |
| Total Current Liabilities | 6,080.09 | 6,689.80 | -609.71 | -9.1% |
| Long Term Liabilities | | | | |
| Accrued leave | 26,584.33 | 26,584.33 | 0.00 | 0.0% |
| Total Long Term Liabilities | 26,584.33 | 26,584.33 | 0.00 | 0.0% |
| Total Liabilities | 32,664.42 | 33,274.13 | -609.71 | -1.8% |
| Equity | | | | |
| Temporarily Restricted Net Asse | 253,856.75 | 253,856.75 | 0.00 | 0.0% |
| Opening Bal Equity | 62,900.79 | 62,900.79 | 0.00 | 0.0% |
| Retained Earnings | -26,629.52 | 40,612.00 | -67,241.52 | -165.6% |
| Net Income | -7,374.28 | -87,085.38 | 79,711.10 | 91.5% |
| Total Equity | 282,753.74 | 270,284.16 | 12,469.58 | 4.6% |
| TOTAL LIABILITIES & EQUITY | 315,418.16 | 303,558.29 | 11,859.87 | 3.9% |

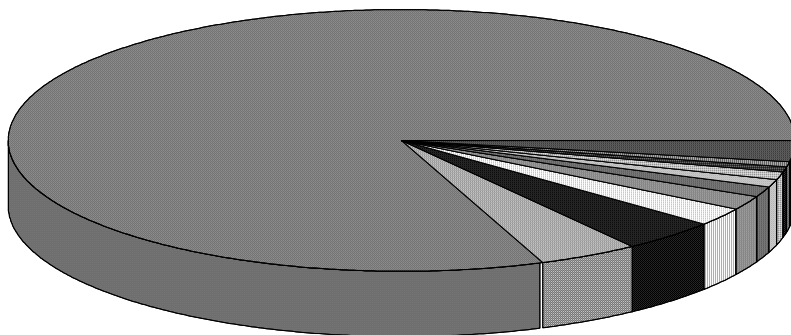
Income and Expense by Month
January through June 2017

Income
Expense



Expense Summary
January through June 2017

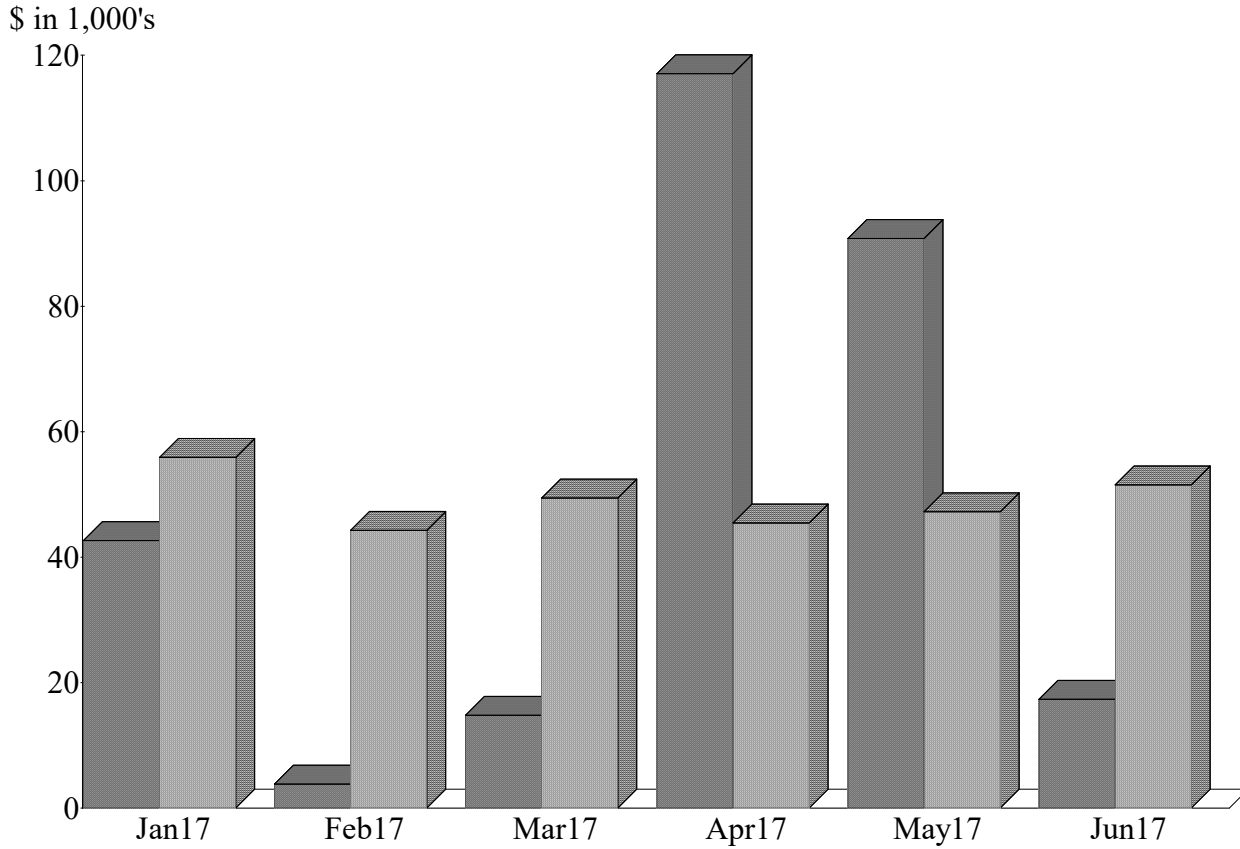
| | |
|----------------------|---------------------|
| Payroll Expenses | 80.86% |
| Rent | 4.19 |
| Travel | 4.02 |
| Telephone | 2.26 |
| Insurance | 1.78 |
| Office Supplies | 1.43 |
| Equipment Rental | 1.00 |
| Dues | 0.96 |
| Case Management | 0.76 |
| Postage and Delivery | 0.73 |
| Other | 2.02 |
| Total | \$293,903.70 |



By Account

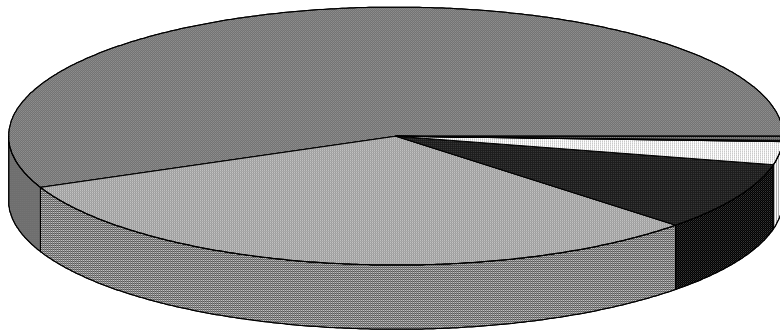
Income and Expense by Month
January through June 2017

Income
Expense



Income Summary
January through June 2017

| | |
|----------------------|---------------------|
| Grants | 56.54% |
| Program Income | 31.41 |
| Other Donations | 8.62 |
| Program Services | 2.93 |
| Interest Income | 0.25 |
| Miscellaneous Income | 0.24 |
| Total | \$286,529.42 |

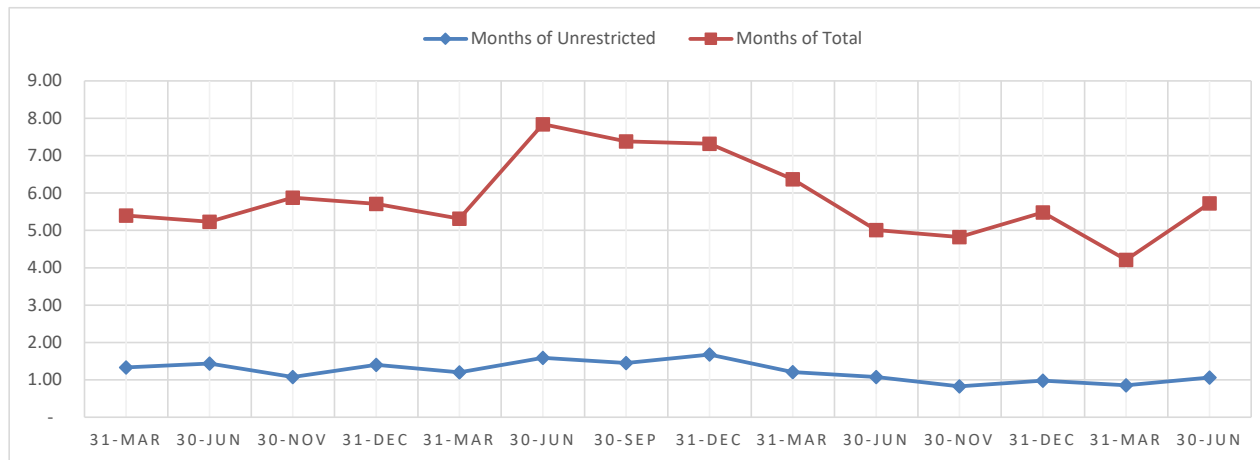


By Account

Months of Reserves 2014-2017

Restricted and Unrestricted

| | 2014 | | | | 2015 | | | | 2016 | | | | 2017 | |
|------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 31-Mar | 30-Jun | 30-Nov | 31-Dec | 31-Mar | 30-Jun | 30-Sep | 31-Dec | 31-Mar | 30-Jun | 30-Nov | 31-Dec | 31-Mar | 30-Jun |
| Monthly Total Budget | 47,409 | 47,409 | 47,409 | 47,409 | 47,409 | 47,409 | 49,458 | 49,458 | 56,807 | 56,807 | 56,807 | 56,807 | 53,141 | 53,141 |
| Unrestricted Assets | 63,348 | 68,183 | 51,012 | 66,389 | 56,935 | 75,220 | 71,899 | 82,925 | 68,665 | 61,201 | 46,944 | 55,565 | 45,384 | 56,524 |
| Total Current Assets | 256,039 | 248,017 | 278,423 | 270,772 | 251,850 | 371,785 | 365,221 | 361,976 | 361,976 | 284,755 | 274,084 | 311,418 | 223,867 | 304,026 |
| Percent Unrestricted | 24.74% | 27.49% | 18.32% | 24.52% | 22.61% | 20.23% | 19.69% | 22.91% | 18.97% | 21.49% | 17.13% | 17.84% | 20.27% | 18.59% |
| Months of Unrestricted | 1.34 | 1.44 | 1.08 | 1.40 | 1.20 | 1.59 | 1.45 | 1.68 | 1.21 | 1.08 | 0.83 | 0.98 | 0.85 | 1.06 |
| Months of Total | 5.40 | 5.23 | 5.87 | 5.71 | 5.31 | 7.84 | 7.38 | 7.32 | 6.37 | 5.01 | 4.82 | 5.48 | 4.21 | 5.72 |



KEJC Recent Fundraising Effort

2016

| 2016 Source | For | Status | Requested | Awarded | % Awarded |
|--|-----------------------|-----------|--------------------|--------------------|------------|
| Foundation for a Healthy Kentucky Boots | Health Outreach | Awarded | 50,000 | 50,000 | 100% |
| Public Welfare Foundation | Employment | Awarded | 80,000 | 80,000 | 100% |
| Kentucky Bar Foundation | Immigration | Awarded | 10,200 | 10,000 | 98% |
| Kentucky Gives Day | General Support | Completed | 2,500 | 3,038 | 122% |
| Catholic Diocese of Lexington | Immigration | Awarded | 8,500 | 1,000 | 12% |
| Foundation for a Healthy Kentucky Fellow | Health Advocacy | Awarded | 45,000 | 45,000 | 100% |
| Interact for Health Fellow | Health Advocacy | Awarded | 45,000 | 45,000 | 100% |
| Interact for Health Communications | Health Communications | Awarded | 20,000 | 20,000 | 100% |
| Foundation Healthy KY Rapid Response | Health Communications | Awarded | 10,000 | 10,000 | 100% |
| United Way of the Bluegrass (renewal) | Immigration | Renewed | 16,200 | 16,200 | 100% |
| Blue Grass Community Foundation | Immigration | Renewed | 12,000 | 12,000 | 100% |
| AILA Midsouth | Immigration | Awarded | 6,369 | 2,000 | 31% |
| Lexington ESR | Health Outreach | Denied | 37,732 | - | 0% |
| Good Giving Challenge 2016 | General Support | Completed | 18,000 | 19,186 | 107% |
| Holiday Letter and Seasonal Donations | As Designated | Completed | 10,000 | 25,919 | 259% |
| Fayette County Bar Foundation | Immigration | Pending | 6,900 | 5,000 | 72% |
| Subtotal 2016 | | | \$378,401 | \$344,344 | 91% |
| Total 2011-16 | | | \$2,456,274 | \$1,907,521 | 78% |

KEJC Recent Fundraising Effort

2017

| 2017 Source | For | Status | Requested | Awarded | % Awarded |
|---|-----------------|-----------|------------------|------------------|------------|
| AILA Midsouth | Immigration | Pending | 5,816 | - | 0% |
| Catholic Diocese of Lexington | Immigration | Pending | 11,200 | - | 0% |
| Foundation for a Healthy Kentucky Boots | Health Outreach | Awarded | 50,000 | 50,000 | 100% |
| Interact for Health Fellow | Health Advocacy | Awarded | 45,000 | 65,000 | 144% |
| Kentucky Bar Foundation | Immigration | Awarded | 28,480 | 11,000 | 39% |
| Kentucky Gives Day | Immigration | Completed | 3,000 | 3,440 | 115% |
| United Way of the Bluegrass | Immigration | Pending | 36,384 | 16,200 | 45% |
| VOCA * | Immigration | Pending | 202,173 | - | 0% |
| Subtotal 2017 | | | \$382,053 | \$145,640 | 38% |

* If VOCA is factored out % awarded is 81%

Coming Up

| 2017 Source | For | Status | Requested | Awarded | % Awarded |
|-------------------------------------|-----------------|---------|-----------------|------------|-----------|
| Public Welfare Foundation (renewal) | Workers' Rights | Planned | 80,000 | - | 0% |
| Blue Grass Community Foundation | Immigration | Planned | 12,000 | - | 0% |
| Subtotal 2017 | | | \$92,000 | \$0 | 0% |

PROPOSAL TO PROVIDE
PROFESSIONAL SERVICES TO

**KENTUCKY EQUAL
JUSTICE CENTER**

VICKIE C. RICHARDSON, CPA, PSC
114 EAST HIGH STREET
MT. STERLING, KY 40353
(859) 498-6868

May 18, 2017

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Vickie C. Richardson, CPA, PSC

*114 East High Street
Mount Sterling, KY 40353*

May 19, 2017

Kentucky Equal Justice Center
Richard J. Seckel, Director
201 West Short Street, Ste. 310
Lexington, KY 40507

Dear Mr. Seckel:

I am very pleased to have the opportunity to present my qualifications and submit my proposal to provide assistance to Kentucky Equal Justice Center (KEJC) in performing audit and tax services for the year ended December 31, 2016.

Preparation of this proposal gives me the opportunity to display my knowledge and experience. As part of my proposal, I make the following representations to you:

- A. Vickie C. Richardson, CPA, PSC is a corporation.
- B. Vickie C. Richardson, CPA, PSC is a properly licensed Certified Public Accounting firm.
- C. Vickie C. Richardson, CPA, PSC is enrolled in the AICPA peer review program. Attached to this proposal is the most recent peer review report that Vickie C. Richardson, CPA, PSC has received.
- D. Vickie C. Richardson, CPA, PSC has not received any disciplinary action, nor has any pending, with any state regulatory bodies or professional organizations.
- E. This proposal is a firm and irrevocable offer and shall remain valid until two months after the closing date of the receipt of the proposals.
- F. Vickie C. Richardson, CPA, PSC does not have a professional relationship with KEJC.

I am personally a member of the American Institute of Certified Public Accountants and the Kentucky Society of Certified Public Accountants. These professional organizations provide me many valuable resources.

Mr. Richard Seckel
May 19, 2017
Page 2

I welcome this opportunity for you to review my credentials. I am available to meet with you to discuss my qualifications or to furnish you with any additional information.

Sincerely,

Vickie C. Richardson, CPA, PSC

SECTION I

VICKIE C. RICHARDSON, CPA, PSC

OFFICE INFORMATION

Vickie C. Richardson, CPA, PSC is located at 114 East High Street in Mt. Sterling, Kentucky. Mt. Sterling is approximately 35 miles east of Lexington.

Vickie C. Richardson, CPA, PSC opened in December 2002.

Vickie C. Richardson, CPA, PSC employs one full-time professional, one full-time and two part-time support staff.

VICKIE C. RICHARDSON, CPA, PSC

EXPERIENCE AND REFERENCES

Experience

I am very familiar with the environment of not-for-profit accounting. Acting as the audit manager at the firms I was employed before opening Vickie C. Richardson, CPA, PSC, and as the owner of Vickie C. Richardson, CPA, PSC, I have performed several audits, reviews and agreed upon procedures over the last nineteen years, and the majority of those were for not-for-profit organizations.

References

Vickie C. Richardson, CPA, sole shareholder of Vickie C. Richardson, CPA, PSC, performed the 2016 audits for:

Family Resource and Youth Services Coalition of KY, Inc., Lexington, Kentucky
Michael Jones, Manger 859-333-4209

Southern Sustainable Agriculture Working Group, Mt. Sterling, Kentucky
Steve Muntz, Executive Director 859-498-0678

Nicholas County Senior Citizens Center, Carlisle, Kentucky
Angela Gonzales, Executive Director 859-289-3729

Resume

Attached is my biographical resume. I am a licensed certified public accountant in the state of Kentucky.

VICKIE C. RICHARDSON, CPA

POSITION: Sole Shareholder/President

EDUCATION: Bachelor of Science in Accounting, University of Kentucky, Cum Laude

PROFESSIONAL
EXPERIENCE:

I have nineteen years experience in public accounting. I have worked with Crowe Chizek and Company; Radwan, Brown & Company, PSC; Ruth G. Lawton, CPA, PSC; and now I own Vickie C. Richardson, CPA, PSC. My public accounting experience includes not-for-profit, governmental and other business audits and taxation of the same types of industries. I also have 15 years of experience in banking, with 10 of those years in bank auditing.

AFFILIATIONS:

Member, American Institute of Certified Public Accountants
Member, Kentucky Society of Certified Public Accountants
Graduate of Leadership Montgomery County
Past Treasurer, Christian Traditional School
Member, First Church of God Mt. Sterling
Member, Mt. Sterling/Montgomery County Chamber of Commerce
Past Treasurer, Montgomery County Arts Council
Treasurer, Mary Melissa Cancer Foundation, Inc.
Treasurer, Montgomery County High School Swim Boosters, Inc.
Treasurer, Swimchester Sailfish, Inc.
Treasurer, Sterling Community Food Coalition, Inc.

SECTION II

VICKIE C. RICHARDSON, CPA, PSC

AUDIT APPROACH

The following workplan will be used in providing audit services. The work plan is segmented to properly address each specific work area.

Engagement Letter

I will issue an engagement letter by July 14, 2017 which I will sign and ask the President of the Board of Directors to sign. The engagement letter will be the contract between Vickie C. Richardson, CPA, PSC and the Kentucky Equal Justice Center (KEJC).

The engagement letter will define my responsibilities as auditor under auditing standards generally accepted in the United States. The letter will also define management's responsibilities, including the requirements for estimates and judgments and significant audit adjustments.

Audit Objective

I will perform a financial statement audit to determine whether the financial statements of KEJC present fairly the financial position and results of operations in accordance with generally accepted accounting principles.

I will issue audited financial statements and all other applicable reports no later than September 26, 2017. The audit will be performed in accordance with U.S. generally accepted auditing standards.

Audit Planning and Analytical Procedures

Prior to beginning the audit, I will obtain a knowledge and understanding of the external and internal characteristics of KEJC by reviewing legal requirements, reporting requirements, accounting policies, and operating and administrative characteristics.

Additionally, I will apply preliminary analytical procedures to improve my understanding of the operations and to identify audit areas requiring increased attention. The analytical procedures will include comparing prior year and current year balances and assessing the reasons for any material variations and designing audit procedures for areas requiring increased attention.

Materiality Levels

Materiality levels will be determined at the financial statement level. The greater of total assets or total revenue adjusted for items deemed appropriate to be excluded, will be the base for the materiality calculation. To the base will be applied a percentage ranging between 5% and 10%.

Internal Control Structure and Assessing Control Risk

I will obtain an understanding of the control environment, the accounting system, and control procedures. This understanding will be used to identify types of potential misstatements, consider factors affecting audit risk, and to design substantive tests. I will make inquiries of personnel, inspect documents and observe activities in order to obtain an understanding of the control environment.

Audit Plan and Audit Programs

My audit plan will include audit programs for each audit area, such as cash, investments, etc. I will customize audit programs acquired from a commercial vendor.

Sampling Techniques and Other Tests

The sampling techniques used in test of controls and substantive tests of transaction types and account balances will be based on a non-statistical sampling plan using randomly selected transactions.

Individually significant items will be determined based on materiality.

Analytical procedures will be used in planning the audit and, when possible, as predictive tests of account balances.

Outside confirmations will be used to support balance sheet and other transaction accounts as deemed appropriate in the circumstance.

Control testing will be conducted by inspection, inquiry, observation, and/or sampling where appropriate.

Documenting and Collecting Evidence

The sample design used will be documented in my workpapers. My workpapers will include detail of the procedures performed in each audit area which is my means for documenting the collection of evidence. My audit evidence will also include retaining all confirmations and obtaining copies of all pertinent contractual documents.

Other Audit Procedures

I will also perform the following audit procedures:

1. Test for and inquire about any commitments and contingencies.
2. Make inquiries of legal counsel.
3. Summarize and disclose any related party information.
4. Request representations from management.
5. Perform analytical procedures as an overall review of the financial information.
6. Perform a financial-related audit of subsequent events for the period from the audit date until the date of the auditor's report.

Developing Audit Reports

The results of my audit procedures, performed in accordance with auditing standards generally accepted in the United States, will provide the basis for my audit report. If I become aware of any information during the audit which will preclude me from issuing an unqualified report, I will discuss this with the appropriate level of personnel immediately.

I will also utilize disclosure checklists acquired from a commercial vendor to assure compliance with reporting and disclosure standards.

Other Matters

1. Vickie C. Richardson, CPA, PSC has reviewed and is aware of its responsibilities as outlined in the Request for Proposal.
2. Workpapers will be retained by Vickie C. Richardson, CPA, PSC, for a period of three (3) years unless notified in writing by KEJC that the retention period has been extended. Workpapers will be made available to representatives of KEJC.
3. Vickie C. Richardson, CPA, PSC will communicate in a letter to management any reportable conditions found during the audit including a list of any unresolved findings and weaknesses from the financial audit.

4. Vickie C. Richardson, CPA, PSC will inform the Board of Directors of the following:
 - a) Disagreements with management.
 - b) Difficulties encountered in performing the audit.
 - c) Major issues discussed with management.

SECTION III

VICKIE C. RICHARDSON, CPA, PSC

AUDIT HOURS

| | Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|---|----------|-----------------------------|---------------------------|----------------|
| Shareholder | 12 | \$ 125.00 | \$115.00 | \$1,380 |
| Accounting Professional | 32 | 75.00 | 75.00 | 2,400 |
| Clerical | <u>6</u> | <u>50.00</u> | <u>40.00</u> | <u>240</u> |
| Total all-inclusive maximum price for 12/31/16 Audit | | | | <u>\$4,020</u> |
| Shareholder | 12 | \$ 125.00 | \$115.00 | \$1,380 |
| Accounting Professional | 32 | 75.00 | 75.00 | 2,400 |
| Clerical | <u>6</u> | <u>50.00</u> | <u>40.00</u> | <u>240</u> |
| Total all-inclusive maximum price for 12/31/17 Audit | | | | <u>\$4,020</u> |
| Shareholder | 12 | \$ 125.00 | \$115.00 | \$1,380 |
| Accounting Professional | 32 | 80.00 | 80.00 | 2,560 |
| Clerical | <u>6</u> | <u>50.00</u> | <u>40.00</u> | <u>240</u> |
| Total all-inclusive maximum price for 12/31/18 Audit | | | | <u>\$4,180</u> |

Fees for additional services will be agreed upon by both KEJC and Vickie C. Richardson, CPA, PSC before additional services are provided.

VICKIE C. RICHARDSON, CPA, PSC
REVIEW HOURS, IN LIEU OF AUDIT

| | Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|--|----------|-----------------------------|---------------------------|----------------|
| Shareholder | 8 | \$ 125.00 | \$115.00 | \$ 920 |
| Accounting Professional | 22 | 75.00 | 75.00 | 1,650 |
| Clerical | <u>6</u> | <u>50.00</u> | <u>40.00</u> | <u>240</u> |
| Total all-inclusive maximum price for 12/31/16 Review | | | | <u>\$2,810</u> |

VICKIE C. RICHARDSON, CPA, PSC

TAX RETURN HOURS

| | Hours | Standard Hourly Rates | Quoted Hourly Rates | Total |
|--|-------|-----------------------------|---------------------------|---------------|
| Software and processing | | | \$130.00 | \$ 130 |
| Shareholder | 4 | \$ 125.00 | \$125.00 | <u>500</u> |
| Total all-inclusive maximum price for 12/31/16 Tax Return Preparation | | | | <u>\$ 630</u> |
| Software and processing | | | \$130.00 | \$ 130 |
| Shareholder | 4 | \$ 125.00 | \$ 125.00 | <u>500</u> |
| Total all-inclusive maximum price for 12/31/17 Tax Return Preparation | | | | <u>\$ 630</u> |
| Software and processing | | | \$135.00 | \$ 135 |
| Shareholder | 4 | \$ 125.00 | \$ 125.00 | <u>500</u> |
| Total all-inclusive maximum price for 12/31/18 Tax Return Preparation | | | | <u>\$ 635</u> |

Kentucky Equal Justice Center
Investment Policy
Mason Fund and Other Major Gifts

The Board of Kentucky Equal Justice Center establishes this policy to guide investment of:

- the major gift received from the Mason Foundation for the benefit of Maxwell Street Legal Clinic
- additional contributions to the resulting Mason Fund

Unless the terms of other major gifts provide otherwise, these policies also shall guide investment of other donations, grants or major gifts made with the expectation of long term investment rather than short term use as income.

Duties of the Investment Committee

The Kentucky Equal Justice Center Board has established an Investment Committee. Under this policy the Investment Committee shall:

- meet at least twice a year to review the investment portfolio to assess performance and ensure compliance with this policy
- review this policy annually during a meeting to assure it continues to be consistent with donors' intent, the organization's current needs and long term goals

The Investment Committee shall prepare minutes and shall report to the Board at the next Board meeting following each of its own meetings. In addition, the Investment Committee may:

- recommend to the Board a process for selecting an investment manager and, once one is selected, shall meet at least annually with the manager
- elect to forego an investment manager in favor of self-managed investment in index and mutual funds within the investment management guidelines set out below.

Absent an investment manager, the Investment Committee may direct the Director of KEJC to execute purchases and sales of assets and disbursement of funds consistent with this policy. Other than automatic reinvestment of income, no purchases or sales of assets shall be made without prior approval of the Investment Committee. Initial investments in mutual funds shall be limited to funds with a Morningstar rating of four or five stars.

Statement of Objectives

KEJC seeks long-term appreciation of assets and consistency of investment performance without undue exposure to risk. This objective will be accomplished through a balanced strategy of investment in equities, fixed income instruments and cash equivalents in a mix which is conducive to participation in rising markets while providing adequate protection in falling markets.

Investments managed under this policy generally shall pursue growth until income can provide significant support for special purposes, projects or general operations without substantially impeding growth. To that end, disbursements generally shall not exceed 3.0% of assets until a portfolio reaches \$100,000 and 5.0% thereafter.

Designations and instructions of donors will be observed. If funds are placed in an endowment, the original historic value will be protected and withdrawals from that portion of assets will not be permitted. Unless special circumstances exist, disbursements will be approved as part of the annual budget process.

Special Provisions for Mason Fund Disbursements

Mason Fund investments additionally shall be guided by the following instructions of donors as expressed in the letter accompanying their gift:

Income: Income earned will be distributed for the benefit of Maxwell Street Legal Clinic.

Appreciation: Funds generated by appreciation of assets will be used only if the Board deems it to be in the best interests of Maxwell Street Legal Clinic.

Original Corpus: Funds representing the original corpus of \$50,000 will be used only in rare situations in which the Board deems the action to be in the best interest of Maxwell Street Legal Clinic, both short and long term, and, during her lifetime, in consultation with and full consideration of the advice of the Clinic's founding volunteer, Marilyn Daniel.

To help provide for growth, annual distributions shall not be required. If distributions from the Mason Fund are approved, they shall not exceed \$500 in 2017 and 2018, \$750 in 2019 and \$1,000 in 2020, after which they shall be governed by the limitations above.

Investment Management Guidelines

Asset classes: Funds shall be invested to allocate assets among equities, fixed income debt instruments and cash equivalents within the following ranges:

| | |
|------------------|------------|
| Equities | 60% to 85% |
| Fixed Income | 15% to 40% |
| Cash equivalents | 0% to 10% |

Social Screening: The Investment Committee may recommend that all or any portion of the assets be invested in vehicles screened for health, environmental, civil rights, workers' rights or other impacts that reflect the organization's mission. Socially screened mutual funds shall be monitored to ensure that returns do not vary markedly from comparable non-screened funds.

Asset Performance Benchmarks: The Investment Committee may use Morningstar ratings and index comparisons available through Vanguard to assess a mutual fund asset's performance, including online charts comparing fund performance with indexes relevant to the asset class. Mutual funds that no longer achieve a four or five star Morningstar rating shall be considered for liquidation and reinvestment.

Investment Manager Benchmarks: Should the Investment Committee select an investment manager, the selection process shall include evaluation and selection of benchmarks for performance of each class of managed assets.

Portfolio Performance Benchmarks: To assess overall performance during self-management, the Investment Committee may select a combined benchmark of indexes for stocks and bonds, using high profile, reliable indexes for each class of assets in approximate proportion to asset allocation.

Prohibited Transactions: As long as portfolios are self-managed, investments shall be made only in high-rated equity and bond mutual funds and, for cash, in money market funds, and not in individual equity or bond positions. Should the committee select an investment manager, the selection process shall include specification of prohibited investments, e.g., commodities, options trading or margin purchases.

Diversification: While under self-management, funds shall be placed in at least three mutual funds and total investments shall observe the asset class ranges above.

Restrictions: Not more than \$100,000 shall be invested in bank certificates of deposit of any single issuer. All mutual funds shall be publicly traded and shall permit sale at any time without penalty.

Approved by the Investment Committee

Date: July 10, 2017

Approved by the Board:

Date

Kentucky Equal Justice Center

Director's Activity

April 21 to July 24, 2017

Governance

- Hosted April 21 Board Meeting
- Circulated Board motions for approval
- Issued Call for Board Nominations
- Convened July 10 Investment Committee Conference Call
- Convened July 21 Audit Committee Call
- Scheduled July 24 Nominating Committee Call

Management and Administration

- Requested extension for IRS 990
- Prepared Request for Proposal and solicited audit bids
- Drafted proposed Investment Policy
- Researched mutual fund investments for Mason Fund
- Managed Legal Files upgrade to 10.1
- Conducted recruitment process for VISTA
- Reviewed and approved postings for Maxwell Street Legal Assistant

Grants and Fundraising

- Filed grant reports:
 - Foundation for a Health Kentucky “Boots” (with Miranda)
- Filed grant proposal and sub-grant agreements:

| | Amount |
|---|-----------|
| ○ KCEP New Venture Fund (sub-grant awarded) | \$ 17,500 |
| ○ LIN Center for community Change (sub-grant awarded) | \$ 16,000 |
| ○ AILA Mid-South | \$ 5,816 |
| ○ VOCA | \$202,173 |
- Revised United Way budget and outcomes to match award
- Prepared multiple Spring donor and Kentucky Gives Day thank you letters

Workers' Rights Advocacy

- Participated in Public Welfare Foundation “Wage Theft Cohort” calls monthly
- Met with Carpenters re possible Lexington wage theft enforcement ordinance (May 3, 11, 23)
- With McKenzie and Miranda, hosted May 16 Workers' Rights Task Force meeting
- Attended NELP and Public Welfare convening in DC on Workers Comp (July 19)

Health and Public Benefits Advocacy

- Participated in biweekly calls with Jane Perkins of NHeLP re potential challenges to Kentucky 1115 waiver with Anne Marie and Cara (starting May 1)
- Met with staff for:
 - Senator Rand Paul (June 13) with Kentucky Voices for Health and KCEP
 - Senator Mitch McConnell (June 23) by phone with other advocates
- Participated in Kentucky Voices for Health:
 - Insure Kentucky campaign meetings and calls (weekly)
 - Annual Meeting (April 24)
 - Health Systems Transformation Academy with Consumers Union (April 25)
 - Finance Committee as Treasurer (July 10)
 - Board as Officer (July 13)
- Participated in Foundation for a Healthy Kentucky:
 - Promoting Responsive Health Policy grantee meeting on tobacco issues (May 10)
 - Convening on Tobacco Tax (June 8)
 - Promoting Responsive Health Policy annual grantee meeting (June 30)
- Attended Kentucky Health Benefit Exchange Update meetings (May 18, June 20, July 20)
- Conferred with Center on Budget and Kentucky advocates re Hope Act resolution (June 12)
- Participated in KFTC “Hear Our Health” online public hearing (June 26)

Legislative and Administrative Advocacy

- Attended inaugural meeting of House Working Group on Adoptions (June 19)
- Attended Interim Joint Committee on Banking and Insurance (June 27)

Communications

- Chaired weekly calls of “health gains” social media team (with Kentucky Voices for Health)
- Consulted with Marcie re messages on other poverty law topics

Media

- Answered email inquiries from Lexington Herald-Leader editorial staff (May 12, July 11)
- Had Letter to Editor on “Repeal and Replace” published in Herald-Leader (June 23)

Attended or participated in . . .

- Retirement event for KLA director Scott Crocker (April 22)
- Legal Services Statewide Conference (May 24, 25)
- VISTA Supervisor Training (May 31)
- Kentucky Nonprofit Network Policy Summit (June 28)
- Meeting with new Kentucky Council of Churches Director Rev. Don Gillett (July 14)
- Shriver Center Legal Impact Network “Lawyers and Organizers” meeting (July 17-18)