

**KENTUCKY EQUAL  
JUSTICE CENTER**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022

**DRAFT**

PREPARED BY  
**VICKIE C. RICHARDSON, CPA, PSC**  
114 EAST HIGH STREET  
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Kentucky Equal Justice Center

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*Vickie C. Richardson, CPA, PSC*  
*114 East High Street*  
*Mount Sterling, KY 40353*

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We 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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kentucky Equal Justice Center as of December 31, 2022, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky Equal Justice Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Equal Justice Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Kentucky Equal Justice Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kentucky Equal Justice Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2023, on our consideration of Kentucky Equal Justice Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kentucky Equal Justice Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kentucky Equal Justice Center's internal control over financial reporting and compliance.

**Vickie C. Richardson, CPA, PSC**

Mt. Sterling, Kentucky

December 4, 2023

Kentucky Equal Justice Center  
STATEMENT OF FINANCIAL POSITION  
December 31, 2022

ASSETS

Current assets		
Cash	\$	433,989
Investments		122,816
Accounts receivable		613,401
Prepaid expenses		<u>3,415</u>
Total current assets		<u>1,173,621</u>
Property and Equipment		
Computer equipment		64,664
Less accumulated depreciation		<u>(57,962)</u>
Net Property and equipment		<u>6,702</u>
Total assets	\$	<u><u>1,180,323</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	DRAFT	
Accounts Payable	\$	524,738
Client trust funds		5,911
Payroll tax payable		<u>67,888</u>
Total current liabilities		<u>598,537</u>
Long Term Liabilities		
Accrued leave		<u>35,467</u>
Total long term liabilities		<u>35,467</u>
Total liabilities		<u>634,004</u>
Net assets		
Without donor imposed restrictions		418,813
With donor imposed restrictions		<u>127,507</u>
Total net assets		<u>546,320</u>
Total liabilities and net assets	\$	<u><u>1,180,324</u></u>

See accompanying notes.

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**Kentucky Equal Justice Center**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2022

	Unrestricted Immigrant Rights Proj.	General Poverty Law and Administrative	Total Without Donor Imposed Restrictions	Housing Stability
<b>Revenues:</b>				
Grants	\$ 0	12,470	12,470	\$ 796,645
Program income	0	180,000	180,000	0
Donations	35,393	38,205	73,598	0
Client fees	7,398	300	7,698	0
Attorney fees	0	1,000	1,000	0
Other	1,000	13,737	14,737	0
Investment income	0	2,084	2,084	0
In-Kind donations	20,400	0	20,400	0
 Total revenue, gains and other support	 64,191	 247,797	 311,988	 796,645
 <b>Expenses:</b>				
Case management	2,079	1,706	3,785	0
Consultants	0	0	0	0
Contract labor	3,850	0	3,850	0
Depreciation	205	245	450	268
Dues & subscriptions	854	2,556	3,410	0
Equipment rental	1,861	670	2,531	0
Grants	0	0	0	628,238
Insurance	1,765	672	2,437	251
Interest expense	0	21	21	0
Library	0	665	665	275
Litigation expense	268	1,024	1,292	0
Miscellaneous	210	775	985	569
Office	2,348	6,256	8,604	400
Payroll and benefits	92,749	149,285	242,034	130,175
Postage	1,801	389	2,190	33
Printing	544	4,531	5,075	0
Professional	0	21,235	21,235	0
Rent	20,400	17,480	37,880	0
Repairs	0	0	0	0
Task forces	0	211	211	0
Telecommunications	3,974	17,840	21,814	2,710
Travel	615	5,386	6,001	2,915
Unrealized loss on investments	0	33,694	33,694	0
Total expenses	\$ 133,523	\$ 264,640	\$ 398,163	\$ 765,834
 Change in net assets			 (86,175)	
Net assets, beginning of year			504,988	
Net assets, end of year			\$ 418,813	

See accompanying notes.

**Kentucky Equal Justice Center**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2022

Poverty Law Advocacy	Health Care Advocacy	Restricted Immigrant Rights Proj.	Food Justice Fellowship	Total with Donor Imposed Restrictions	Total
\$ 172,595	\$ 160,000	\$ 236,378	\$ 130,000	\$ 1,495,618	\$ 1,508,088
0	0	0	0	0	180,000
43,082	0	1,500	0	44,582	118,180
0	0	1,729	0	1,729	9,427
0	0	0	0	0	1,000
0	0	0	0	0	14,737
0	0	0	0	0	2,084
0	0	0	0	0	20,400
<u>215,677</u>	<u>160,000</u>	<u>239,607</u>	<u>130,000</u>	<u>1,541,929</u>	<u>1,853,917</u>
412	471	1,870	0	2,753	6,538
80,000	4,000	0	19,000	103,000	103,000
0	0	0	0	0	3,850
442	310	471	161	1,652	2,102
0	702	1,490	106	2,298	5,708
649	480	1,176	240	2,545	5,076
0	0	0	0	628,238	628,238
1,434	1,137	1,946	151	4,920	7,357
0	0	0	0	0	21
0	432	844	60	1,611	2,275
240	1,726	8,161	0	10,127	11,419
0	105	0	0	674	1,659
488	391	2,419	50	3,748	12,352
199,955	147,858	212,742	85,758	776,489	1,018,523
46	51	1,585	0	1,714	3,904
25	171	441	0	636	5,711
0	0	729	0	729	21,964
3,275	5,565	0	2,280	11,120	49,000
0	0	0	80	80	80
25	125	0	668	818	1,029
2,524	3,830	4,063	878	14,005	35,819
115	274	10,399	2,662	16,366	22,366
0	0	0	0	0	33,694
<u>\$ 289,631</u>	<u>\$ 167,628</u>	<u>\$ 248,334</u>	<u>\$ 112,094</u>	<u>\$ 1,583,522</u>	<u>\$ 1,981,685</u>
				(41,593)	(127,768)
				<u>169,100</u>	<u>674,088</u>
				<u>\$ 127,507</u>	<u>\$ 546,320</u>

Kentucky Equal Justice Center  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2022

Cash flows from operating activities:

Change in net assets	\$ (127,768)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,102
Unrealized loss on investments	33,694
(Increase)/ Decrease in current assets:	
Accounts receivable	(501,562)
Prepaid expenses	(3,415)
Rental deposit	715
Increase/(Decrease) in current liabilities:	
Accounts payable	<u>589,273</u>
Net cash used by operating activities	<u>(6,961)</u>
Cash flows from investing activities:	
Purchase of investments	(2,064)
Purchase of capital assets	<u>(2,568)</u>
Net cash used by investing activities	<u>(4,632)</u>
Decrease in cash	(11,593)
Cash, beginning of year	<u>445,582</u>
Cash, end of year	<u><u>\$ 433,989</u></u>

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Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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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, September 23, 2017 and August 8, 2023, 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 Services Corporation-funded legal services 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 10% of KEJC's total revenue is from the four legal services programs. KEJC also receives grants from various organizations. Approximately 81% 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.

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.

Financial Instruments

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

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2020, 2021, and 2022 are subject to examination by the IRS, generally for three years after they are filed.

Accounts Receivable

Accounts receivable at December 31, 2022, consists of grants receivables.

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.

Fair Value of Financial Instruments

KEJC follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, (ASC 820) for fair value measurements of financial assets and financial liabilities, and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-tier hierarchy to classify fair market measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Investments

KEJC's investments are stated at fair value. Purchases and sales of investments are recorded on a trade-date basis. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of disposition or fair value as of the end of the financial statement period. Dividend and interest income are recorded as earned. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets.

Kentucky Equal Justice Center  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investment securities are exposed to various risks, such as interest rate, overall market volatility and credit risks.

Fair Value of Financial Instruments

The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows.

- Level 1 – quoted prices in active markets for identical assets.
- Level 2 – other significant observable inputs (including quoted prices for similar assets, interest rates, prepayment speeds, and credit risk)
- Level 3 – significant unobservable inputs (including KEJC’s assumptions in determining the fair value of assets)

NOTE 2 – INVESTMENTS

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Investments (all Level 1 measurements) consist of the following at December 31, 2022:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 21,556	\$ 21,559	\$ 3
Stocks and options	21,059	22,021	962
Mutual Funds	56,314	79,235	22,921
Total Investments	\$ 98,929	\$ 122,815	\$ 23,886

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 2 – INVESTMENTS - CONTINUED

Investment return for the year ended December 31, 2022, is summarized below:

Realized gains	\$ 307
Dividends	1,756
Interest Income	<u>21</u>
Total investment return	<u>\$ 2,084</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Beginning balance office equipment and computers:	\$ 62,096
Purchase of computers	2,568
Less accumulated depreciation	<u>(57,962)</u>
Ending balance:	<u>\$ 6,702</u>

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KEJC capitalizes property and equipment over \$1,500. 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 contributions without donor imposed restrictions 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 contributions with donor imposed restrictions. 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 net assets with donor imposed restrictions to net assets without donor imposed restrictions 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 4 - 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

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 4 - PENSION PLAN – CONTINUED

gross wages and new employees hired after September 1, 2008, contribute 1% additional. Total pension plan expense to KEJC was \$156,887. A Comprehensive Annual Financial Report on the Kentucky Retirement System may be requested from the following address:

Kentucky Public Pensions Authority  
Perimeter Park West  
1260 Louisville Road  
Frankfort, KY 40601-6124

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following periods:

Periods after December 31, 2022 \$ 127,507

Net assets were released from the grant restrictions by incurring expenses satisfying the purpose specified by the grant as follows:

	DRAFT	
KY Bar Foundation		\$ 13,181
MSPC		660
Consumer Reports Award		649
HFGC		95,266
Francis Hollis Brain Foundation		5,000
Foundation for a Healthy Kentucky		53,650
Victims of Crime Act		193,253
Bluegrass Community Foundation		11,588
Public Welfare Foundation		58,158
KHC Housing Stability		677,193
LABG Housing		69,452
NLIHC OSAH		6,604
Catholic Diocese		7,076
Fayette County Bar Foundation		5,169
United Way		12,408
Kentucky Center for Economic Policy		27,442
Homeless & Housing Coalition of Kentucky		12,586
Families and Workers Fund		81,412
Kentucky Civic Engagement Table		9,904
MAZON		87,974
Community Farm Alliance		18,073

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Cy Pres	4,002
CLASP PIF	6,521
Elhapa Foundation	38,684
Haggin Trust	63,646
Health Gains Communication	12,190
CBPP Food Justice	6,047
Louisville Bar Foundation	<u>5,734</u>
	<u>\$1,583,522</u>

NOTE 6– LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

KEJC has \$1,170,206 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$433,989, investment funds of \$122,816 that make up the Mason Fund in the Vanguard account, and funds and accounts receivable of \$613,401. KEJC structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 – IN-KIND CONTRIBUTIONS

The value of donated property and services included as contributions in the accompanying statement of activities and the corresponding expenses for the year ended December 31, 2022, are as follows:

Rent and Utilities	\$ 20,400
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NOTE 8 – METHODS USED FOR ALLOCATION OF EXPENSES

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and general and administrative expenses.

KEJC prepares an annual budget by program. Programs include Immigrant Rights, Poverty Law, Healthcare Advocacy, Food Justice, Workers’ Rights and general and administrative. Every grant application requires a proposed budget. The budget is followed for allocations of expenses. Payroll and benefits expenses are allocated based on time and effort.

NOTE 9 – CONCENTRATION OF CREDIT RISK

KEJC maintains an account at a bank in Lexington, Kentucky. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash on December 31, 2022, exceeded federally insured limits by \$148,850.

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 10 – CONTRACTS

Kentucky Legal Services

KEJC entered into an agreement for 2022 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, listserv 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.
- Conducting and coordinating litigation on high impact and emerging poverty law issues.

Kentucky Center for Economic Policy

KEJC entered into a contract with the Kentucky Center for Economic Policy to provide 150 to 200 hours of work for specific activities, for the period of April 1, 2022 through March 31, 2023. KEJC shall provide the Kentucky Center for Economic Policy with \$15,000 upon entering into the agreement in addition to specific activities/duties

Step By Step

KEJC entered into a contract with Step By Step to carry out the SNAP Local Advocates Project. The purpose is to ensure local community members know about the new options for SNAP enrollment and anything related to SNAP. The agreement is for 12 months. KEJC will provide Step By Step with \$10,000 upon entering into this agreement along with other duties.

Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 11 – GRANTS

KEJC received a \$16,000 grant from Bluegrass Community Foundation for a coverage period of September 1, 2021-August 31, 2022.

KEJC received a \$9,000 & a \$12,500 grant from the Catholic Diocese of Lexington.

Community Farm Alliance granted KEJC \$30,000 to be used between December 1, 2020, through June 30, 2022 and another \$15,000 to be used between July 2021 and July 2022.

KEJC received \$30,000 from Elhapa Foundation, Inc.

The Fayette County Bar Foundation gave \$5,000 for 2021-2022 to support immigration law services through Maxwell Street Legal Clinic.

KEJC received a grant from Foundation for a Healthy Kentucky for \$50,000 and another for \$45,000 for the period April 1, 2022-March 31, 2023 and a \$50,000 grant for the period April 1, 2021-March 31, 2022.

Kentucky Public Protection Cabinet gave KEJC a \$37,595 grant.

The Kentucky Bar Foundation gave KEJC a \$11,000 grant for 2022.

KEJC received a grant from Kentucky Housing Corporation in the amount of \$2,050,000 for the period of July 1, 2022 through June 30, 2023. The grant is to be used for housing stability services including subgrants to the four Legal Services Corporation-funded civil legal aid programs in Kentucky (AppalRed Legal Aid, Kentucky Legal Aid, Legal Aid of the Bluegrass, and Legal Aid Society in Louisville.)

KEJC received a grant for \$5,000 & \$3,000 from Kentucky Civic Engagement Table for the year 2021-2022 and another \$5,000 grant for the 2022-2023 year. The purpose of the grant was to help develop shared messaging around food justice and public benefits, including affirmative policies to strengthen safety net programs.

Legal Aid of the Bluegrass gave KEJC a subgrant of up to \$80,000, to be billed monthly, to help connect vulnerable tenants in Fayette County, KY to rental assistance and legal help in eviction.

KEJC received a \$70,000 grant from MAZON to support KEJC's Food Justice Fellowship. The grant period was 2022 – 2023.



Kentucky Equal Justice Center  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

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NOTE 11 – GRANTS - CONTINUED

The National Low Income Housing Coalition gave KEJC a \$50,000 grant for the period June 1, 2022-May 31, 2023.

In June of 2021, KEJC received a \$18,000 grant from the United Way of the Bluegrass.

KEJC received a \$15,000 grant from the United Way of the Bluegrass for 2022/2023.

On October 1, 2021, the Kentucky Justice Cabinet notified KEJC of approval of a grant of \$192,640 in Victim of Crime Act funds to continue services for immigrant victims of crime through Maxwell Street Legal Clinic. For the period 10/1/2022-9/30/2023 the grant amount was \$154,112.

NOTE 12 – LEASING ARRANGEMENTS

KEJC leases office space in Lexington, KY and Louisville, KY. The space in Lexington was originally sublet from former legal aid attorneys. Those attorneys subsequently bought the space and became KEJC's landlords. The original, and only written contract with the landlords is dated December 1, 1999. The lease was for one year. The subsequent renewals and rate increases have been verbally agreed upon. The rent expense for this office space in 2021 was \$21,600.

The office space in Louisville, KY is based on a verbal agreement also. KEJC sublets space from private attorneys. The rent expense for this office space in 2021 was \$7,000.

Office space for the Maxwell Street Legal Clinic, as mentioned in Note 1, is donated to KEJC. The fair market value of that space and the in-kind donation in 2022 was \$20,400.

NOTE 13 – SUBSEQUENT EVENTS

KEJC has evaluated subsequent events through December 4, 2023, the date on which the financial statements were issued.

KENTUCKY EQUAL JUSTICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2022

<u>Federal Grantor &amp; Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Organization</u>	<u>Pass-Through Organization- Identifying Number</u>	<u>Federal Expenditures</u>	<u>Provided to Subrecipients</u>
<b>US Department of the Treasury</b>					
COVID-19 Emergency Rental Assistance	21.023	Kentucky Housing Corporation	LPY7ZYZG31	\$677,193	\$628,238
COVID-19 Emergency Rental Assistance	21.023	Bluegrass		69,453	-
COVID-19 Coronavirus State & Local Fiscal Recovery Funds	21.027	Kentucky Public Protection Cabinet	N/A	<u>37,595</u>	-
<b>Total US Department of the Treasury</b>				<u>784,241</u>	<u>628,238</u>
<b>US Department of Justice</b>					
Victims of Crime Act	16.575	Kentucky Justice & Public Safety Cabinet	15POVC-21-GG-00627-ASSI	<u>167,171</u>	-
<b>Total US Department of Justice</b>				<u>167,171</u>	-
<b>Total Federal Expenditures</b>				<u>\$951,412</u>	\$628,238

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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Kentucky Equal Justice Center for the year ended December 31, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Kentucky Equal Justice Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Kentucky Equal Justice Center.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C- Indirect Cost Rate

The Kentucky Equal Justice Center has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance for those grants that allow it.

*Vickie C. Richardson, CPA, PSC*  
*114 East High Street*  
*Mount Sterling, KY 40353*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Kentucky Equal Justice Center  
Lexington, Kentucky

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Kentucky Equal Justice Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Kentucky Equal Justice Center's major federal programs for the year ended December 31, 2022. The Kentucky Equal Justice Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Kentucky Equal Justice Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Kentucky Equal Justice Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Kentucky Equal Justice Center's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Kentucky Equal Justice Center's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Kentucky Equal Justice Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Kentucky Equal Justice Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kentucky Equal Justice Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Kentucky Equal Justice Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Kentucky Equal Justice Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Vickie C. Richardson, CPA, PSC*

Mt. Sterling, Kentucky  
December 4, 2023

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**Vickie C. Richardson, CPA, PSC**  
114 East High Street  
Mount Sterling, KY 40353

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Kentucky Equal Justice Center  
Lexington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky Equal Justice Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, and cash flows for the year then ended, and the notes to the financial statements, and have issued our report thereon dated December 4, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Kentucky Equal Justice Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kentucky Equal Justice Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentucky Equal Justice Center's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (2022-001)

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Kentucky Equal Justice Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Kentucky Equal Justice Center's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Kentucky Equal Justice Center's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Kentucky Equal Justice Center's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vickie C. Richardson, CPA PSC*

Mt. Sterling, Kentucky  
December 4, 2023

KENTUCKY EQUAL JUSTICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2022

SUMMARY OF AUDIT RESULTS

- A. The auditor's report expresses an unmodified opinion on the financial statements of the Kentucky Equal Justice Center.
- B. No significant deficiencies or material weaknesses in internal control were disclosed during the audit of the financial statements of the Kentucky Equal Justice Center.
- C. No instances of noncompliance material to the financial statements of the Kentucky Equal Justice Center were disclosed during the audit.
- D. No significant deficiencies or material weaknesses in internal control over major programs were disclosed during the audit of the Kentucky Equal Justice Center
- E. The auditor's report on compliance for the major federal award programs for the Kentucky Equal Justice Center expresses an unmodified opinion.
- F. No audit finding that are required to be reported in accordance with 2 CFR 200.516(a) is reported in this Schedule.
- G. The program tested as a major program includes the Emergency Rental Assistance Program, Federal Assistance Listing Number 21.023.
- H. The threshold for distinguishing Types A and B programs was \$750,000.
- I. The Kentucky Equal Justice Center was not determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT

Finding 2022-001

*Criteria:* Kentucky Equal Justice Center is required to have internal controls in place to ensure bills are paid timely.

*Condition:* Kentucky Equal Justice Center does not have adequate internal controls in place to ensure bills are timely paid.

*Cause:* Certain bills entered for December 31, 2022, dates of service and prior were entered into the general ledger, however payment of those bills has not been made as of November 2023.

*Effect:* Failure to pay bills timely could result in inaccurate financial reporting.

*Recommendation:* The organization should implement internal controls to ensure bills are paid timely.

*Response:* KEJC will develop and adopt more detailed internal control policies and procedures including procedures designed to ensure timely payment of bills. We have several new resources to help us do so. In late 2022, we entered into a contract with The Charity CFO for accounting guidance and services. We will elicit recommendations from them. In addition, in September 2023, KEJC created a new position, Operations Manager, with responsibilities including preparation and tracking of both payables and receivables. The Operations Manager will assist the director in researching, proposing and implementing internal controls, including communications with staff.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

NONE