

KENTUCKY EQUAL JUSTICE CENTER

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

PREPARED BY
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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

I have audited the accompanying financial statements of Kentucky Equal Justice Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kentucky Equal Justice Center as of December 31, 2017, 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.

Vickie C. Richardson, CPA, PSC

Mt. Sterling, KY
December 5, 2018

This report contains 15 pages.

Kentucky Equal Justice Center
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

Current assets	
Cash	\$ 179,044
Investments	56,438
Accounts receivable	<u>96,905</u>
Total current assets	<u>332,387</u>
Property and Equipment	
Computer equipment	55,397
Less accumulated depreciation	<u>(49,503)</u>
Net Property and equipment	<u>5,894</u>
Rental Deposit	<u>715</u>
Total assets	<u>\$ 338,996</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	169
Client trust funds	<u>\$ 5,911</u>
Total current liabilities	<u>6,080</u>
Long Term Liabilities	
Accrued leave	<u>32,958</u>
Total long term liabilities	<u>32,958</u>
Total liabilities	<u>39,038</u>
Net assets	
Unrestricted	101,516
Temporarily restricted	<u>198,442</u>
Total net assets	<u>299,958</u>
Total liabilities and net assets	<u>\$ 338,996</u>

See accompanying notes.

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Kentucky Equal Justice Center
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Unrestricted

	Immigrant Rights Project	General Poverty Law and Administrative	Total Unrestricted
Revenues:			
Grants	\$ 2,000	\$ 6,000	\$ 8,000
Program Income	36,000	149,946	185,946
Donations	43,218	16,062	59,280
Client Fees	18,350	0	18,350
Attorney Fees	0	4,077	4,077
Investment Income	0	4,536	4,536
In-Kind Donations	16,000	0	16,000
	<hr/>	<hr/>	<hr/>
Total revenue, gains and other support	115,568	180,621	296,189
Expenses:			
Case management	\$ 0	\$ 1,363	\$ 1,363
Consultants	0	0	0
Contract labor	2,191	737	2,928
Depreciation	119	4,663	4,782
Dues & subscriptions	3,067	1,175	4,242
Equipment rental	3,990	1,683	5,673
Insurance	552	1,885	2,437
Library	0	1,335	1,335
Miscellaneous	165	1,963	2,128
Office	18,539	20,424	38,963
Payroll	53,519	150,429	203,948
Postage	2,377	317	2,694
Printing	1,757	41	1,798
Professional	950	4,810	5,760
Task forces	0	948	948
Telephone	4,382	6,420	10,802
Travel	4,771	3,194	7,965
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 96,379	\$ 201,387	\$ 297,766
			<hr/>
Change in net assets			(1,577)
Net assets, beginning of year			103,093
			<hr/>
Net assets, end of year			\$ 101,516
			<hr/> <hr/>

See accompanying notes.

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Kentucky Equal Justice Center
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Temporarily Restricted

Poverty Law Advocacy	Health Care Advocacy	Immigrant Rights Project	Total Temporarily Restricted	Total
\$ 112,456	\$ 217,500	\$ 48,200	\$ 378,156	\$ 386,156
				185,946
		2,495	2,495	61,775
				18,350
			0	4,077
				4,536
				16,000
<u>112,456</u>	<u>217,500</u>	<u>50,695</u>	<u>380,651</u>	<u>676,840</u>
\$ 992	\$ 247	\$ 367	\$ 1,606	\$ 2,969
0	14,000	0	14,000	14,000
0	230	1,957	2,187	5,115
0	0	0	0	4,782
268	807	495	1,570	5,812
935	0	347	1,282	6,955
117	913	1,080	2,110	4,547
0	520	0	520	1,855
0	0	0	0	2,128
4,683	4,541	283	9,507	48,470
86,080	148,137	68,526	302,743	506,691
88	90	565	743	3,437
249	0	193	442	2,240
120	130	3,488	3,738	9,498
693	446	0	1,139	2,087
1,092	1,870	844	3,806	14,608
<u>1,528</u>	<u>10,053</u>	<u>2,029</u>	<u>13,610</u>	<u>21,575</u>
<u>\$ 96,845</u>	<u>\$ 181,984</u>	<u>\$ 80,174</u>	<u>\$ 359,003</u>	<u>\$ 656,769</u>
			21,648	20,071
			<u>176,794</u>	<u>279,886</u>
			<u>\$ 198,442</u>	<u>\$ 299,958</u>

Kentucky Equal Justice Center
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

Cash flows from operating activities:

Change in net assets	\$ 20,072
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,783
Unrealized gains on investments	(4,438)
(Increase)/ Decrease in current assets:	
Accounts receivable	(4,643)
Increase/(Decrease) in current liabilities:	
Accrued leave	<u>7,116</u>
Net cash used by operating activities	<u>22,890</u>
Cash flows from investing activities:	
Purchase of investments	<u>(52,000)</u>
Net cash used by investing activities	<u>(52,000)</u>
Decrease in cash	(29,110)
Cash, beginning of year	<u>208,154</u>
Cash, end of year	<u><u>\$ 179,044</u></u>

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

KEJC is funded by contracts with the four Legal 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 27% of KEJC's total revenue is from the four legal service programs. KEJC also receives grants from various organizations. Approximately 57% of KEJC's total revenue is from grants.

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

Basis of Accounting

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

Basis of Presentation

Financial statements of KEJC have been prepared following the recommendations of ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, KEJC reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions. As of December 31, 2017, KEJC's net assets are unrestricted and temporarily restricted.

Use of Estimates

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

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks.

Investments

Investments are carried at fair market value. There are no realized gains or losses for the year ended December 31, 2017. Unrealized gains and losses are reported in the statement of activities.

Financial Instruments

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

Income Taxes

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

KEJC's *Form 990, Return of Organization Exempt from Income Tax*, for the years ending 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they are filed.

Accounts Receivable

Accounts receivable at December 31, 2017 consists of the following:

Grants	\$ 81,388
Donations-due within one year	<u>15,517</u>
	<u>\$ 96,905</u>

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

Revenue Recognition

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

Kentucky Equal Justice Center
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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

Investments (all Level 1 measurements) consist of the following at December 31, 2017:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 1,164	\$ 1,164	\$
Mutal Funds	50,836	55,274	4,438
Total Investments	\$ 52,000	\$ 56,438	\$ 4,438

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 – INVESTMENTS- CONTINUED

Investment return for the year ended December 31, 2017 is summarized below:

Net unrealized gain	4,438
Interest Income	<u>98</u>
Total investment return	<u>\$ 4,536</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Beginning balance office equipment and computers:	\$ 55,397
Additions:	-0-
Disposals:	<u>-0-</u>
Ending balance	55,397
Less accumulated depreciation	<u>(49,503)</u>
Ending balance:	<u>\$ 5,894</u>

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

NOTE 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 gross wages and new employees hired after September 1, 2008, contribute 1% additional. Total pension plan expense to KEJC was \$58,361. A Comprehensive Annual Financial Report on the

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 - PENSION PLAN - CONTINUED

Kentucky Retirement System may be requested from the following address:

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

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following periods:

Periods after December 31, 2017	\$198,442
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Net assets were released from the grant restrictions by incurring expenses satisfying the purpose specified by the grant as follows:

KY Bar Foundation	\$ 12,615
Public Welfare Foundation	78,719
HFGC Health Law Fellowship	94,185
Foundation for a Healthy Kentucky	49,089
CLINIC Legal	26,999
Bluegrass Community Foundation	12,671
Catholic Diocese	2,166
Fayette County Bar Foundation	5,244
United Way	17,009
DACA Client Assistance	3,470
Interact for Health	14,356
KCEP New Venture	14,869
NHeLP Health Law Defense	9,485
LIN CCC	10,750
Skadden Fellowship	7,376
	<u>\$ 359,003</u>

NOTE 6 – IN-KIND CONTRIBUTIONS

The value of donated services included as contributions in the accompanying statement of activities and the corresponding expenses for the year ended December 31, 2017 are as follows:

Rent and utilities	<u>\$ 16,000</u> .
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Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 7- CONTRACTS

KEJC entered into an agreement for 2017 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.

KEJC signed an agreement for 2018 with identical provisions, including the \$180,000 annual fee.

NOTE 8 – GRANTS

On January 25, 2017, KEJC received a \$5,000 grant from the Fayette County Bar Foundation, to be used for general support of Maxwell Street Legal Clinic.

On January 28, 2017, KEJC was awarded a \$2,000 grant by the AILA Midsouth Chapter.

On February 22, 2017, the Foundation for a Healthy Kentucky awarded KEJC \$50,000 to renew its "Boots on the Ground" grant for health outreach, enrollment, consumer assistance and policy feedback around implementation of the Affordable Care Act in Kentucky.

On April 18, 2017, KEJC received a \$16,000 grant from the Sargent Shriver National Center on Poverty Law to support KEJC's engagement with and support of the Center of Community Change's efforts in Kentucky.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – GRANTS-CONTINUED

On May 5, 2017, KEJC received a \$65,000 grant from Interact for Health, formerly the Health Foundation of Greater Cincinnati. Of the total grant amount, \$45,000 was to be used to match a \$45,000 grant in December 2016 by the Foundation for a Healthy Kentucky. The purpose of the matching grants was to sustain the infrastructure for health advocacy for low-income Kentuckians in 2017 through continuation of the Health Law Fellow position. The remaining \$20,000 from Interact for Health was to be used to communicate with the public and policy makers about health gains under the Affordable Care Act.

On May 23, 2017, the Kentucky Bar Foundation awarded KEJC a grant in the amount of \$11,000 for Maxwell Street Legal Clinic: Preparing Families, Protecting Children.

In May 2017, KEJC was awarded a \$17,500 grant from Mountain Association for Community Economic Development for the New Venture Fund Safety Net Defense Project to defend the health care portion of the safety net in Kentucky.

In June 2017, KEJC was awarded a \$5,000 grant by the Catholic Diocese of Lexington, to be allocated in quarterly installments starting in August, for general support for Maxwell Street Legal Clinic with a focus on intake activities.

On June 14, 2017, KEJC received a \$16,000 United Way of the Bluegrass grant for Maxwell Street Legal Clinic and AmeriCorps activities, with a focus on outreach and services that support work authorization and protect earnings. The grant represented the first year of a three year United Way regional funding cycle. The grant was paid in monthly installments.

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

In September 2017, KEJC was awarded a grant in the amount of \$40,000 from the National Health Law Program (NHeLP) to be used to conduct activities designed to preserve and protect access to high quality health care, including through Medicaid, the ACA and the Americans with Disabilities Act.

On September 20, 2017, KEJC received a \$13,200 grant from a donor-advised fund at Blue Grass Community Foundation for Maxwell Street Legal Clinic general operations with an emphasis on support for the CLINIC Immigration Fellowship.

On November 2, 2017, KEJC received a grant from the Skadden Foundation to host a fellowship.

In December 2017, KEJC received a grant of federal Victim of Crime Act (VOCA) funds through the Kentucky Justice Cabinet in the amount of \$202,173 with a subgrantee match amount of \$67,662, for a total of \$269,835.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 – GRANTS-CONTINUED

On December 20, 2017, KEJC received a \$6,000 grant from a donor-advised family fund at Blue Grass Community Foundation for general support with a significant portion of funds be used for development, communications and capacity building or to draw matching dollars.

NOTE 9 – SUBSEQUENT EVENTS

KEJC has evaluated subsequent events through December 5, 2018, the date on which the financial statements were issued.

By letter dated February 5, 2018, the Shriver National Center on Poverty Law documented its agreement to provide KEJC the first one-year renewal of a sub-grant of \$16,000 from a grant from the JPB Foundation to support KEJC's engagement with Center for Community Change efforts in Kentucky, including work with community-based grassroots groups.

Through a Modified Exhibit A, Cincinnati-based Interact for Health (IFH) extended its past grant agreement with KEJC, awarding \$85,000 to be used for the KEJC Health Law Fellowship and for activities to communicate to the public, media and policy makers about Kentucky's health gains under the Affordable Care Act.

The Interact for Health grant matched \$45,000 in funds provided in late 2017, by the Foundation for a Healthy Kentucky for the Fellowship. The IFH grant term was set to begin July 1 and to extend through December 31, 2018. Because of the matching relationship between two foundations, KEJC tracks \$90,000 in combined funds under a unified budget for the Fellowship separately from additional funds for communications.

By letter dated May 10, 2018, the Kentucky Bar Foundation notified KEJC of a grant award of \$8,000 for Maxwell Street Legal Clinic to engage staff and members of the private bar in joint efforts to help immigrants complete the journey toward citizenship through naturalization application assistance. The one year grant period began July 1, 2018.

By letter dated June 6, 2018, the Catholic Diocese of Lexington notified KEJC of a grant of \$6,500 to be paid in quarterly installments, to support Maxwell Street Legal Clinic in its efforts to assist vulnerable individuals to navigate the complexities of the immigration system.

Effective July 1, 2018, United Way of the Bluegrass awarded KEJC \$16,000 to be paid in monthly installments for activities to help immigrants gain work authorization, financial stability, family reunification and citizenship. The funds represented the second year in a three-year Regional funding cycle.

Kentucky Equal Justice Center
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

NOTE 9– SUBSEQUENT EVENTS – CONTINUED

On September 4, 2018, Public Welfare Foundation notified KEJC of a grant award of \$160,000 in continued funding for KEJC’s employment law initiative centered on advocacy to combat wage theft and protect worker safety. KEJC Director Rich Seckel signed the grant agreement on September 6. Funds were designated to be used over a two-year period beginning July 1, 2018. The full amount of \$160,000 was paid by electronic transfer September 21, 2018.

By letter dated September 24, 2018, Kentucky Equal Justice Center received notice of a grant award of \$14,520 from a donor-advised fund at Blue Grass Community Foundation for general support, with the request that a significant portion of funds be used for immigration law and citizenship application services and to match Victim of Crime Act funds at Maxwell Street Legal Clinic.

By agreement signed October 30, 2018, KEJC entered into a second year of funding at \$40,000 with the National Health Law Program to conduct activities designed to preserve and protect access to high quality health care, including through Medicaid, the ACA and the Americans with Disabilities Act. The grant was to be paid in two installments: \$36,000 to begin work and \$4,000 upon completion and submission of a report.

By letter dated October 15, 2018, the Fayette County Bar Foundation notified KEJC of a grant of \$5,000 for Maxwell Street Legal Clinic to be used in 2019 for general support with an emphasis on emergency preparedness by immigration families.

On November 7, 2018, KEJC’s executive director joined by conference call the new president of Public Welfare Foundation and the Foundation’s workers’ rights grant officer, who explained elements of a new Foundation strategic plan focused on juvenile justice. The Foundation representatives also described a transition plan for current grantees in its workers’ rights initiative. Under it, KEJC would receive \$250,000 in funding for a three-year transition period to begin when the current two year grant ended June 30, 2020.