

Legal Aid Society of Cincinnati

LSC Recipient Number 436040

**Consolidated Financial Statements with Supplementary Information
December 31, 2016 and 2015, with
Independent Auditors' Report**

LEGAL AID SOCIETY OF CINCINNATI
December 31, 2016 and 2015

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Independent Auditors' Report

To the Board of Trustees
Legal Aid Society of Cincinnati
Cincinnati, Ohio

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Legal Aid Society of Cincinnati (nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Legal Aid Society of Cincinnati as of December 31, 2016 and 2015 and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report
(Continued)**

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 consolidated financial statements. Additionally, the consolidating statement of financial position, consolidating statement of activities and the supplemental schedule of activities shown on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements of the Organization. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 April 28, 2017, on our consideration of Legal Aid Society of Cincinnati'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 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 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 Legal Aid Society of Cincinnati's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

April 28, 2017
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Financial Position
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 602,056	\$ 644,524
Cash held in trust for clients	8,132	10,798
Investments	2,982,752	2,768,433
Grants and contracts receivable	612,139	378,221
Contributions receivable, net	1,761,897	1,088,496
Property and equipment, net	3,401,678	3,497,291
Other assets, net	116,857	119,048
	<u> </u>	<u> </u>
Total assets	<u>\$ 9,485,511</u>	<u>\$ 8,506,811</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 139,533	\$ 89,191
Accrued annual leave	291,944	289,418
Other accrued liabilities	102,704	93,563
Assets held for others	8,132	10,798
Interest rate swap agreement	100,225	132,293
Note payable, bank	1,431,317	1,527,820
	<u> </u>	<u> </u>
Total liabilities	<u>2,073,855</u>	<u>2,143,083</u>
Net Assets		
Unrestricted:		
Operating	1,645,066	1,340,392
Net investment in property and equipment	1,870,136	1,837,178
Board designated	1,155,628	1,081,313
	<u> </u>	<u> </u>
	4,670,830	4,258,883
Temporarily restricted	2,073,168	1,437,187
Permanently restricted	667,658	667,658
	<u> </u>	<u> </u>
Total net assets	<u>7,411,656</u>	<u>6,363,728</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 9,485,511</u>	<u>\$ 8,506,811</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015**

	2016	2015
Changes in unrestricted net assets		
Revenue, gains and other support:		
Contributions	\$ 288,091	\$ 462,612
Donated services and materials	171,102	101,934
Ohio Legal Aid Fund	1,732,840	1,687,544
Grants from Legal Services Corporation	1,633,342	1,640,696
Other grants and contracts	2,404,825	2,020,450
Rental income	235,391	227,913
Investment return	212,507	(104,136)
Other	273,386	98,467
Net assets released from restrictions:		
United Way	453,054	468,440
Other	546,305	379,333
Total revenue, gains and other support	7,950,843	6,983,253
Expenses:		
Housing and consumer program	1,469,792	1,271,667
Employment and benefits program	1,206,260	1,369,762
Family and children program	3,209,722	3,281,970
General and civil program	303,193	466,733
Total program services	6,188,966	6,390,132
Management and general	999,811	679,969
Fundraising	111,939	112,986
Rental property	270,248	254,771
Total expenses	7,570,964	7,437,858
Change in unrestricted net assets from operations	379,879	(454,605)
Change in value of interest rate swap agreement	32,068	1,394
Change in unrestricted net assets	411,947	(453,211)
Changes in temporarily restricted net assets		
Contributions	827,806	635,442
Ohio Legal Aid Fund	53,957	80,358
Grants	325,397	228,333
United Way of Greater Cincinnati	428,180	453,054
Net assets released from restrictions	(999,359)	(847,773)
Change in temporarily restricted net assets	635,981	549,414
Changes in permanently restricted net assets		
Contributions	-	22,562
Change in permanently restricted net assets	-	22,562
Change in net assets	1,047,928	118,765
Net assets, beginning of year	6,363,728	6,244,963
Net assets, end of year	\$ 7,411,656	\$ 6,363,728

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2016**

	Housing and Consumer Program	Employment and Benefits Program	Family and Children Program	General Civil Program	Management and General	Fundraising	Rental Property	Total Expenses
Salaries	\$ 902,732	\$ 788,454	\$ 1,970,672	\$ 190,334	\$ 481,920	\$ 73,892	\$ -	\$ 4,408,004
Employee benefits	244,486	235,194	448,364	66,262	163,721	14,701	-	1,172,728
Payroll taxes	57,967	57,467	138,075	12,604	51,459	5,763	-	323,335
Total salaries and related expenses	1,205,185	1,081,115	2,557,111	269,200	697,100	94,356	-	5,904,067
Professional fees - client service	12,349	6,934	209,002	2,871	-	-	-	231,156
Professional fees	55,135	30,703	167,637	9,166	31,420	2,092	8,000	304,153
Specific assistance to individuals	58,722	-	-	-	-	-	-	58,722
Litigation and advocacy	12,359	3,618	21,554	395	-	-	-	37,926
Supplies	5,740	4,403	8,791	949	66,357	12,922	379	99,541
Telephone	4,595	8,858	13,475	2,097	8,951	54	3,196	41,226
Postage and shipping	1,653	666	2,107	257	26,352	651	141	31,827
Occupancy	132,092	64,649	276,845	25,184	105,300	-	121,907	725,977
Training and travel	27,112	18,471	64,470	826	25,690	1,539	-	138,108
Subscriptions and publications	3,005	335	901	7	17,577	-	-	21,825
Membership dues	8,294	5,618	13,677	804	10,455	325	-	39,173
Insurance	2,982	6,897	11,710	2,263	2,446	-	6,000	32,298
Equipment rental and maintenance	10,419	7,683	9,102	2,432	5,054	-	-	34,690
Interest and investment fees	280	818	1,099	186	28,198	-	74,669	105,250
Depreciation and amortization	19,699	9,641	41,287	3,756	16,151	-	51,054	141,588
Intercompany eliminations and other	(89,829)	(44,149)	(189,046)	(17,200)	(41,240)	-	4,902	(376,563)
	\$ 1,469,792	\$ 1,206,260	\$ 3,209,722	\$ 303,193	\$ 999,811	\$ 111,939	\$ 270,248	\$ 7,570,964

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2015**

	Housing and Consumer Program	Employment and Benefits Program	Family and Children Program	General Civil Program	Management and General	Fundraising	Rental Property	Total Expenses
Salaries	\$ 812,676	\$ 877,098	\$ 2,047,729	\$ 320,455	\$ 267,035	\$ 73,216	\$ -	\$ 4,398,209
Employee benefits	233,015	287,377	543,125	75,248	57,912	24,064	-	1,220,741
Payroll taxes	64,286	72,929	134,355	28,259	17,561	-	-	317,390
Total salaries and related expenses	1,109,977	1,237,404	2,725,209	423,962	342,508	97,280	-	5,936,340
Professional fees - client service	7,108	6,321	157,687	2,182	-	-	-	173,298
Professional fees	4,491	2,185	150,680	1,135	45,604	195	7,925	212,215
Specific assistance to individuals	62,453	-	-	-	-	-	-	62,453
Litigation and advocacy	10,589	2,332	25,314	7	87	-	-	38,329
Supplies	5,042	5,114	10,242	1,605	58,593	2,267	164	83,026
Telephone	4,594	11,933	15,092	5,115	2,413	73	2,919	42,139
Postage and shipping	1,764	1,727	2,971	833	21,024	1,906	99	30,324
Occupancy	73,166	140,229	200,704	60,518	116,013	-	109,201	699,831
Training and travel	21,513	25,888	75,704	804	15,382	1,200	-	140,491
Subscriptions and publications	1,016	1,455	2,538	315	16,564	-	-	21,888
Membership dues	6,792	3,862	14,572	287	16,094	70	-	41,677
Insurance	2,511	6,884	9,024	2,588	4,443	-	6,000	31,450
Equipment rental and maintenance	352	505	857	223	32,921	-	-	34,858
Interest and investment fees	258	804	1,039	356	28,304	-	79,400	110,161
Depreciation and amortization	11,497	22,034	31,536	9,509	18,229	-	48,253	141,058
Intercompany eliminations and other	(51,456)	(98,915)	(141,199)	(42,706)	(38,210)	9,995	810	(361,680)
	<u>\$ 1,271,667</u>	<u>\$ 1,369,762</u>	<u>\$ 3,281,970</u>	<u>\$ 466,733</u>	<u>\$ 679,969</u>	<u>\$ 112,986</u>	<u>\$ 254,771</u>	<u>\$ 7,437,858</u>

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

**Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 1,047,928	\$ 118,765
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	141,588	141,058
Net realized and unrealized (gains) losses on investments	(137,590)	171,081
Change in value of interest rate swap agreement	(32,068)	(1,394)
Receipts of client escrow funds held in agency transactions	142,765	93,608
Payments of client escrow funds held in agency transactions	(145,431)	(139,684)
Changes in:		
Grants and contracts receivable	(233,918)	7,147
Contributions receivable, net	(673,401)	(539,317)
Other assets, net	186	(50,133)
Accounts payable	50,342	43,563
Accrued annual leave	2,526	6,653
Other accrued liabilities	9,141	11,098
Net cash provided by (used in) operating activities	172,068	(137,555)
Cash flows from investing activities		
Purchase of property and equipment	(43,970)	(117,403)
Purchase of investments	(600,940)	(471,727)
Proceeds from sale of investments	524,211	649,614
Net cash provided by (used in) investing activities	(120,699)	60,484
Cash flows used in financing activities		
Principal payments on note payable	(96,503)	(91,788)
Net change in cash, cash equivalents, and restricted cash	(45,134)	(168,859)
Cash, cash equivalents, and restricted cash, beginning of year	655,322	824,181
Cash, cash equivalents, and restricted cash, end of year	\$ 610,188	\$ 655,322
Supplemental cash flows information		
Interest paid	\$ 74,669	\$ 79,400

See accompanying notes to consolidated financial statements

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

The consolidated financial statements include the accounts of the Legal Aid of Society of Cincinnati (d.b.a. Legal Aid of Society of Greater Cincinnati) (LASGC), its wholly owned subsidiary, the Community Law Center Real Estate Company (CLC), and its single-member limited liability company, the Legal Aid Society of Southwest Ohio, LLC (LASSO). These entities are collectively referred to as “the Society”. LASGC is incorporated in the State of Ohio as a charitable organization. The purposes of LASGC are to secure justice for and to protect the legal rights of the indigent in civil matters, to promote measures for their assistance, to employ attorneys and other qualified individuals to represent, advise and defend person served by LASGC, to develop knowledge of and interest in the work of LASGC among law students and others and to do all things deemed desirable to carry out the charitable purposes of LASGC.

LASGC is dependent on funds from public support and grants from governmental agencies. A major source of government grants is the Legal Services Corporation (LSC), a nonprofit organization formed to administer legal service programs.

CLC was formed to purchase an office building, which is primarily rented by the Society for its main offices. Excess space in this building is presently rented to others. LASSO was formed to provide legal services using funds other than those of LSC and to utilize a name that better reflects the Society’s seven county Southwest Ohio service area. All significant intercompany accounts and transactions have been eliminated in consolidation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire.

Cash and Cash Equivalents / Client Escrow Funds

The Society considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of money market accounts. The Society maintains its cash in bank deposit accounts, which at times, exceed federally insured limits. The Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

The Society receives advances from clients for payment ordered by the court in connection with litigation proceedings. These amounts are maintained in separate bank accounts and are not available for use in current operations.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents / Client Escrow Funds (Continued)

At December 31, 2016, cash and cash equivalents of \$602,056 and client escrow funds of \$8,132 reported within the statement of financial position sum to the total of \$610,188, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows. At December 31, 2015, cash and cash equivalents of \$644,524 and client escrow funds of \$10,798 reported within the statement of financial position sum to the total of \$655,322, which is the total of the cash, cash equivalents, and restricted cash shown in the statement of cash flows.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted primarily of donated attorney services and benefited all programs.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants

Support funded by grants is recognized as the Society performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Revenue Recognition

The Society maintains purchase of services agreements with various governments and not-for-profit organizations whereby these entities purchase certain types of legal services from the Society. The Society has discretion in determining which legal services within the contract terms will be provided. Revenue from the agreements is recognized monthly in the amount of the expenses incurred, or billings made, up to the contract amount.

Revenue Concentrations

At December 31, 2016, there was one funder that comprised 26% of the total grants and contracts receivable balance. At December 31, 2015, there were four funders that comprised 46% of the total grants and contracts receivable balance. The Society received funding from two organizations that comprised 40% and 45% of total revenue, gains and other support during 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Society is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio law. However, the Society is subject to federal income tax on any unrelated business taxable income.

The Society's IRS Form 990 is subject to review and examination by federal and state authorities. The Society believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program, management and general, fund raising and rental property categories based upon actual time incurred by the advocates and other allocation methods.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standard

In 2016, the Society adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) 2016-18, an amendment to the statement of Cash Flows (Topic 230). ASU 2016-18 requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The Society included \$8,132 and \$10,798 of restricted cash in cash, cash equivalents, and restricted cash as of December 31, 2016 and 2015, respectively, on the statement of cash flows.

New Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. This standard will be effective for the Society's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Society's year ending December 31, 2020.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Society's year ending December 31, 2018.

The Society is currently in the process of evaluating the impact of adoption of these ASUs on the financial statements.

Subsequent Events

The Society has evaluated subsequent events through April 28, 2017, which is the date the financial statements were available to be issued.

LEGAL AID SOCIETY OF CINCINNATI

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 2 INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2016</u>	<u>2015</u>
Common stocks	\$ 1,991,282	\$ 1,840,611
Equity mutual funds	137,198	134,708
Corporate debt securities	615,298	560,554
U.S. Government obligations	155,934	156,403
Mortgage backed securities	83,040	76,157
	<u>\$ 2,982,752</u>	<u>\$ 2,768,433</u>

Total investment return is comprised of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 74,917	\$ 66,945
Net realized and unrealized gains (losses) on investment reported at fair value	<u>137,590</u>	<u>(171,081)</u>
	<u>\$ 212,507</u>	<u>\$ (104,136)</u>

NOTE 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31 consisted of the following:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 739,077	\$ 530,085
Due in one to five years	1,032,820	568,411
Less allowance for uncollectible contributions	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 1,761,897</u>	<u>\$ 1,088,496</u>

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 4 PROPERTY AND EQUIPMENT

The Society's wholly-owned subsidiary, CLC was established for the purpose of acquiring an office building to house the Society's main offices. During 2016 and 2015, the Society occupied approximately sixty-five percent of the building and leased the remaining available space.

	<u>2016</u>	<u>2015</u>
Land	\$ 1,796,727	\$ 1,796,727
Building and improvements	3,904,397	3,860,427
Leasehold improvements	75,228	75,228
Office furniture and equipment	471,196	471,196
	<u>6,247,548</u>	<u>6,203,578</u>
Less accumulated depreciation	<u>(2,845,870)</u>	<u>(2,706,287)</u>
	<u><u>\$ 3,401,678</u></u>	<u><u>\$ 3,497,291</u></u>

Total depreciation expense was \$139,583 and \$139,053 for 2016 and 2015, respectively.

NOTE 5 NOTE PAYABLE

The Society has an amortizing term loan with a bank that matures in November 2027. The balance of the loan was \$1,431,317 and \$1,527,820 at December 31, 2016 and 2015, respectively. Principal and interest payments of \$14,276 are payable monthly, with a variable interest rate of one month LIBOR plus 1.75% (2.37% at December 31, 2016). The term loan is collateralized by substantially all of CLC's assets and guaranteed by the Society.

Future principal payments at December 31, 2016, were:

2017	\$ 101,885
2018	107,119
2019	112,622
2020	118,407
2021	124,490
Thereafter	<u>866,794</u>
	<u><u>\$ 1,431,317</u></u>

NOTE 6 INTEREST RATE SWAP AGREEMENT

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations in prior years, the Society entered into an interest rate swap agreement. The agreement provides for the Society to receive interest from the counterparty at LIBOR plus 1.75% and to pay interest to the counterparty at a fixed rate of 5.02% on the notional amount of \$1,437,523 and \$1,534,026 at December 31, 2016 and 2015, respectively. Under the agreement, the Society pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at its fair value with subsequent changes in fair value included in revenues, gains and other support.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 7 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 consisted of the following:

	2016	2015
For periods after December 31	\$ 1,107,102	\$ 1,159,329
Child Help	132,500	160,000
Maternal Health law partnership	823,566	-
Family Law	10,000	-
Economically disadvantage veterans	-	80,358
Education advocacy	-	37,500
	<u>\$ 2,073,168</u>	<u>\$ 1,437,187</u>

Permanently Restricted Net Assets

Permanently restricted net assets at December 31, 2016 and 2015 are restricted to investment in perpetuity, the income of which is expendable to support any activity of the Society. Permanently restricted net assets were \$667,658 at December 31, 2016 and 2015.

NOTE 8 ENDOWMENT

The Society has a permanently restricted donor-restricted endowment fund established through the "Help Make Things Happen" fundraising campaign. At December 31, 2016 and 2015, the amount of the endowment was \$667,658. As required by GAAP, net assets associated with endowment funds, including board designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society has adopted investment and spending policies for endowment and other invested assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Society must hold in perpetuity. Under the Society's policies, endowment assets are invested in a manner that is intended to produce results that exceed market benchmarks for blended equity and fixed income securities while assuming a moderate level of investment risk. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Society targets a diversified asset allocation that places greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 8 ENDOWMENT (CONTINUED)

The Society has a spending policy that allows appropriating for expenditure each year up to 4.0% of the total investment account value, including its endowment fund's average fair value at the prior year end. In addition, the policy requires that the historic value of the endowment fund be preserved. If the Society does not appropriate the full amount permitted by the spending policy, accumulated endowment earnings amounts may be appropriated in future years or on an as needed basis since the amounts are considered unrestricted. In establishing this policy, the Society considered the long-term expected return on its endowment and other invested assets. The Society's objective is to maintain the purchasing power of endowment and invested assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Donor-restricted contributions to the endowment in 2016 and 2015 were \$-0- and \$22,562 respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

The Volunteer Lawyers for the Poor Foundation (VLP) is a nonprofit corporation whose purpose is to recruit and maintain a reservoir of volunteer lawyers to provide legal services that supplement the Society's ability to serve indigent residents. The Society contributes administrative support to VLP, refers legal cases to lawyers engaged by VLP and assists in the recruitment of volunteer lawyers. The cost of this administrative support amounted to approximately \$239,000 and \$287,000 in 2016 and 2015, respectively.

LEGAL AID SOCIETY OF CINCINNATI

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 10 OTHER GRANTS AND CONTRACTS

Other grants and contracts during 2016 and 2015 consisted of the following:

	2016	2015
Community Development Block Grant		
Cincinnati	\$ 146,500	\$ 137,500
Middletown	12,993	15,112
Project Able / Rehab Services Commission	11,689	11,721
Guardian Ad Litem - Butler County	682,508	682,508
Social Security Administration Benefits Planning Assistance & Outreach	191,173	141,393
Education Advocacy	-	37,500
Ohio Attorney General VOCA	160,154	89,714
Stabilizing Neighborhoods through Secure Housing	52,500	30,000
Comprehensive Employment Assistance	-	15,000
Violence Against Women	192,265	183,851
Child Help	251,817	152,917
Team Child	110,004	110,004
Low Income Taxpayer Clinic	85,000	44,465
MSD Ombudsman Program	38,704	15,712
Attorney / Staff Fellowships	96,500	82,000
Emergency Mortgage Assistance Cincinnati	98,697	118,777
Family Law Grants	71,849	82,182
Kids in School Rule HCJFS	79,337	-
Cincinnati HS Clearing Legal Hurdles	40,000	-
Other	83,135	70,094
	\$ 2,404,825	\$ 2,020,450

NOTE 11 RENTAL INCOME

The Society rents office and parking space to various tenants with leases expiring through 2018. Future minimum rent income under the operating leases at December 31, 2016 was:

2017	\$ 162,498
2018	12,320
	\$ 174,818

LEGAL AID SOCIETY OF CINCINNATI

Notes to Consolidated Financial Statements (Continued)

NOTE 12 OPERATING LEASES

Non-cancellable operating leases for certain office space and office equipment expire in various years through 2020. One lease contains a renewable option for an additional five year period. Future minimum lease payments at December 31, 2016, were:

2017	\$	21,785
2018		17,691
2019		5,407
2020		3,605
		<hr/>
	\$	48,488
		<hr/>

Rent expense was approximately \$100,000 and \$95,000 in 2016 and 2015, respectively.

NOTE 13 PENSION PLAN

The Society has a defined contribution pension plan covering substantially all employees. The Society is required to contribute 7.8% of the participants' annual compensation, net of any forfeitures that have reverted to the Society. Pension expense was approximately \$320,000 and \$352,000 for 2016 and 2015, respectively.

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- **Level 1** – Observable inputs that reflect quoted prices in active markets
- **Level 2** – Inputs other than quoted prices in active markets that are either directly or indirectly observable
- **Level 3** – Unobservable inputs in which little or no market data exists, therefore requiring the organization to develop its own assumptions

LEGAL AID SOCIETY OF CINCINNATI

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 14 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table summarizes assets and liabilities measured at fair value on a recurring basis at December 31:

<u>2016</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Common stocks	\$ 1,991,282	\$ 1,991,282	\$ -
Equity mutual funds	137,198	137,198	-
Corporate debt securities	615,298	-	615,298
U.S. Government obligations	155,934	-	155,934
Mortgage backed securities	83,040	-	83,040
	<u>\$ 2,982,752</u>	<u>\$ 2,128,480</u>	<u>\$ 854,272</u>
Interest rate swap (liability)	<u>\$ 100,225</u>	<u>\$ -</u>	<u>\$ 100,225</u>
<u>2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments			
Common stocks	\$ 1,840,611	\$ 1,840,611	\$ -
Equity mutual funds	134,708	134,708	-
Corporate debt securities	560,554	-	560,554
U.S. Government obligations	156,403	-	156,403
Mortgage-backed securities	76,157	-	76,157
	<u>\$ 2,768,433</u>	<u>\$ 1,975,319</u>	<u>\$ 793,114</u>
Interest rate swap (liability)	<u>\$ 132,293</u>	<u>\$ -</u>	<u>\$ 132,293</u>

There were no valuations using level 3 inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position.

Investments

Fair values for common stocks and equity mutual funds are estimated using quoted prices in active markets.

Fair values for corporate debt securities are estimated using pricing models taking into account par value, interest rate and maturity date as compared to other similar assets in active markets. Fair values for U.S. government obligations and mortgage-backed securities are estimated using pricing models or quoted prices of securities with similar characteristics.

Interest Rate Swap

The interest rate swap is valued by a third party utilizing models that use as their basis readily observable market parameters.

SUPPLEMENTARY INFORMATION

LEGAL AID SOCIETY OF CINCINNATI

**Consolidating Statement of Financial Position
December 31, 2016**

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
Assets					
Cash and cash equivalents	\$ 223,847	\$ 231,408	\$ 146,801	\$ -	\$ 602,056
Cash held in trust for clients	1,064	7,068	-	-	8,132
Investments	2,982,752	-	-	-	2,982,752
Grants and contracts receivable	618,795	-	-	(6,656)	612,139
Contributions receivable, net	1,749,163	810,005	-	(797,271)	1,761,897
Amounts due from subsidiary	1,101,595	-	-	(1,101,595)	-
Property and equipment, net	30,961	-	3,370,717	-	3,401,678
Investment in subsidiary	1,844,750	-	-	(1,844,750)	-
Other	65,582	47,191	4,084	-	116,857
	<u>\$ 8,618,509</u>	<u>\$ 1,095,672</u>	<u>\$ 3,521,602</u>	<u>\$ (3,750,272)</u>	<u>\$ 9,485,511</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 897,209	\$ 24,180	\$ 22,071	\$ (803,927)	\$ 139,533
Amounts due to parent	-	999,653	101,942	(1,101,595)	-
Accrued annual leave	291,551	393	-	-	291,944
Other accrued liabilities	39,198	42,208	21,298	-	102,704
Assets held for others	1,064	7,068	-	-	8,132
Interest rate swap agreement	-	-	100,225	-	100,225
Note payable, bank	-	-	1,431,317	-	1,431,317
	<u>1,229,022</u>	<u>1,073,502</u>	<u>1,676,853</u>	<u>(1,905,522)</u>	<u>2,073,855</u>
Net Assets					
Unrestricted					
Operating	3,462,072	22,170	5,574	(1,844,750)	1,645,066
Net investment in property and equipment	30,961	-	1,839,175	-	1,870,136
Board designated	1,155,628	-	-	-	1,155,628
	<u>4,648,661</u>	<u>22,170</u>	<u>1,844,749</u>	<u>(1,844,750)</u>	<u>4,670,830</u>
Temporarily restricted	2,073,168	-	-	-	2,073,168
Permanently restricted	667,658	-	-	-	667,658
	<u>7,389,487</u>	<u>22,170</u>	<u>1,844,749</u>	<u>(1,844,750)</u>	<u>7,411,656</u>
Total net assets	<u>7,389,487</u>	<u>22,170</u>	<u>1,844,749</u>	<u>(1,844,750)</u>	<u>7,411,656</u>
Total liabilities and net assets	<u>\$ 8,618,509</u>	<u>\$ 1,095,672</u>	<u>\$ 3,521,602</u>	<u>\$ (3,750,272)</u>	<u>\$ 9,485,511</u>

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

Consolidating Statement of Activities Year Ended December 31, 2016

	Legal Aid Society of Cincinnati	Legal Aid Society of Southwest Ohio	Community Law Center Real Estate Company	Eliminations	Consolidated Total
Changes in unrestricted net assets					
Revenue, gains and other support					
Contributions	\$ 288,041	\$ 50	\$ -	\$ -	\$ 288,091
Donated services and materials	67,044	104,058	-	-	171,102
Ohio Legal Aid Fund	1,732,840	-	-	-	1,732,840
Grants from Legal Services Corporation	1,633,342	-	-	-	1,633,342
Other grants and contracts	2,403,975	850	-	-	2,404,825
Rental income	-	-	548,600	(313,209)	235,391
Investment return	212,507	-	-	-	212,507
Other	150,534	121,352	1,500	-	273,386
Gain on investment in subsidiary	81,781	-	-	(81,781)	-
Intercompany revenue	(3,869,494)	3,948,429	-	(78,935)	-
Net assets released from restrictions:					
United Way	453,054	-	-	-	453,054
Other	546,305	-	-	-	546,305
Total revenue, gains and other support	3,699,929	4,174,739	550,100	(473,925)	7,950,843
Expenses					
Housing and consumer program	360,676	1,144,366	50,076	(85,326)	1,469,792
Employment and benefits program	782,448	441,065	24,508	(41,761)	1,206,260
Family and children program	1,429,418	1,854,183	104,952	(178,831)	3,209,722
General and civil program	169,544	140,370	9,547	(16,268)	303,193
Total program services	2,742,086	3,579,984	189,083	(322,187)	6,188,966
Management and general	456,126	572,585	41,057	(69,957)	999,811
Fundraising	111,939	-	-	-	111,939
Rental property	-	-	270,248	-	270,248
Total expenses	3,310,151	4,152,569	500,388	(392,144)	7,570,964
Change in unrestricted net assets from operations	389,778	22,170	49,712	(81,781)	379,879
Change in value of interest rate swap agreement	-	-	32,068	-	32,068
Change in unrestricted net assets	389,778	22,170	81,780	(81,781)	411,947
Changes in temporarily restricted net assets					
Contributions	827,806	-	-	-	827,806
Ohio Legal Aid Fund	53,957	-	-	-	53,957
Other grants and contracts	325,397	-	-	-	325,397
United Way of Greater Cincinnati	428,180	-	-	-	428,180
Net assets released from restrictions	(999,359)	-	-	-	(999,359)
Change in temporarily restricted net assets	635,981	-	-	-	635,981
Change in net assets	1,025,759	22,170	81,780	(81,781)	1,047,928
Net assets, beginning of year	6,363,728	-	1,832,969	(1,832,969)	6,363,728
Distributions	-	-	(70,000)	70,000	-
Net assets, end of year	\$ 7,389,487	\$ 22,170	\$ 1,844,749	\$ (1,844,750)	\$ 7,411,656

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

Supplemental Schedule of Activities Year Ended December 31, 2016

	Legal Services Corporation	PAI	Other	Total
Revenue, gains and other support				
Contributions	\$ -	\$ -	\$ 1,115,897	\$ 1,115,897
Donated services and materials	-	-	171,102	171,102
Ohio Legal Aid Fund	-	239,454	1,547,343	1,786,797
Grants from Legal Services Corporation	1,633,342	-	-	1,633,342
United Way	-	-	428,180	428,180
Other grants and contracts	-	-	2,730,222	2,730,222
Change in value of interest rate swap agreement	-	-	32,068	32,068
Other revenue	-	-	721,284	721,284
Total revenue, gains and other support	<u>1,633,342</u>	<u>239,454</u>	<u>6,746,096</u>	<u>8,618,892</u>
Expenses				
Salaries	1,105,728	184,963	3,117,313	4,408,004
Employee benefits	268,727	37,412	866,589	1,172,728
Payroll taxes	98,425	10,607	214,303	323,335
Professional fees and related contract services	14,959	1,502	518,848	535,309
Specific assistance to individuals	-	-	58,722	58,722
Litigation and advocacy	-	-	37,926	37,926
Supplies	38,943	-	60,598	99,541
Telephone	9,669	-	31,557	41,226
Postage and shipping	-	-	31,827	31,827
Occupancy	96,352	4,749	624,876	725,977
Training and travel	-	221	137,887	138,108
Subscriptions and publications	-	-	21,825	21,825
Membership dues	-	-	39,173	39,173
Insurance	-	-	32,298	32,298
Equipment rental and maintenance	-	-	34,690	34,690
Interest and investment fees	-	-	105,250	105,250
Depreciation and amortization	-	-	141,588	141,588
Other	539	-	(377,102)	(376,563)
Total expenses	<u>1,633,342</u>	<u>239,454</u>	<u>5,698,168</u>	<u>7,570,964</u>
Change in net assets	-	-	1,047,928	1,047,928
Net assets, beginning of year	-	-	6,363,728	6,363,728
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,411,656</u>	<u>\$ 7,411,656</u>

Note to Schedule:

The Supplemental Schedule of Activities is required by Legal Services Corporation for all recipients receiving LSC funding to encourage private attorney involvement (PAI).

See independent auditors' report

LEGAL AID SOCIETY OF CINCINNATI

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016**

Federal Agency/ Pass Through Entity	Federal CFDA Number	Award Number	Federal Expenditures
Legal Services Corporation	9.436040	436040	<u>\$ 1,633,342</u>
U.S. Department of Housing and Urban Development			
<i>Passed through City of Cincinnati</i>			
Community Development Block Grant	14.218	45x2014-049	146,500
Emergency Mortgage Assistance	14.218	45x2014-139	98,697
<i>Passed through City of Middletown</i>			
Community Development Block Grant	14.218	None	<u>12,993</u>
Total for CFDA 14.218			<u>258,190</u>
U.S. Department of Justice			
<i>Direct Award</i>			
Legal Assistance for Victims Grant Program	16.524	2012-WL-AX-0041 & 2015-WL-AX-0057	192,265
<i>Passed through Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2017-VOCA-43554665	160,154
<i>Passed through Office of Violence Against Women</i>			
Rural Domestic Violence, Sexual Assault and Stalking Assistance Program	16.589	None	<u>12,849</u>
Total U.S. Department of Justice			<u>365,268</u>
U.S. Department of the Treasury			
<i>Direct Award</i>			
Low Income Taxpayer Clinics	21.008	16-LITC0208-01-00	<u>85,000</u>
U.S. Department of Health and Human Services			
<i>Passed through Ohio Department of Aging</i>			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	None	<u>6,334</u>
Social Security Administration			
<i>Direct Award</i>			
SSA Benefits Planning Assistance and Outreach Program	96.008	1WIP13050319-01-00 & 1WIP15050414-01-00	<u>191,173</u>
			<u>\$ 2,539,307</u>

LEGAL AID SOCIETY OF CINCINNATI

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2016

NOTE 1 BASIS OF PRESENTATION

The supplementary schedule of expenditures of federal awards includes the federal grant activity of the Society for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 SUBRECIPIENTS

The Society provided no federal awards to subrecipients.

NOTE 4 INDIRECT COST RATE

The Society has not elected to use the 10% de minimis cost rate allowed under Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

Board of Trustees
Legal Aid Society of Greater Cincinnati

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 consolidated financial statements of the Legal Aid Society of Greater Cincinnati (Organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is 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 the internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of 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 determination of financial statement amounts. 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*.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

April 28, 2017
Cincinnati, Ohio

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND LEGAL SERVICES CORPORATION'S AUDIT GUIDE AND COMPLIANCE SUPPLEMENT

Board of Trustees
Legal Aid Society of Greater Cincinnati

Report on Compliance for Each Major Federal Program

We have audited Legal Aid Society of Greater Cincinnati (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement and Compliance Supplement for audits of LSC Recipients* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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; 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); and the *Compliance Supplement for Audit of LSC Recipients*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

Opinion on Each Major Program

In our opinion, Legal Aid Society of Greater Cincinnati complied, in all material respects, with the 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, 2016.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND LEGAL
SERVICES CORPORATION'S AUDIT GUIDE AND COMPLIANCE SUPPLEMENT
(CONTINUED)**

Report on Internal Control over Compliance (Continued)

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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

Barnes, Dennig & Co., Ltd.

April 28, 2017
Cincinnati, Ohio

LEGAL AID SOCIETY OF CINCINNATI.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Programs or Clusters
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9.436040	Legal Services Corporation
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Award Findings and Questioned Costs

No matters are reportable

LEGAL AID SOCIETY OF CINCINNATI

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015**

Reference Number	Summary of Finding	Status
	No matters are reportable	