

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2017
(with comparable totals for 2016)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Legal Aid Society of Palm Beach County, Inc.
West Palm Beach, Florida

We have audited the accompanying financial statements of Legal Aid Society of Palm Beach County, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Legal Aid Society of Palm Beach County, Inc. as of September 30, 2017, and the change 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018, on our consideration of Legal Aid Society of Palm Beach County, Inc.'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 Palm Beach County, Inc.'s internal control over financial reporting and compliance.

Other Matters

Other 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* (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 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the September 30, 2016 financial statements, and our report dated February 17, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
April 25, 2018

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

STATEMENT OF FINANCIAL POSITION

As of September 30, 2017

(with comparable totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
ASSETS					
Cash and cash equivalents	\$ 2,089,105	\$ 118,279	\$ -	\$ 2,207,384	\$ 2,865,775
Investments	484,010	-	-	484,010	437,437
Accounts receivable	1,280,052	87,932	-	1,367,984	841,610
Employee receivable	2,097	-	-	2,097	10,058
Prepaid expenses	48,648	-	-	48,648	31,746
Total current assets	3,903,912	206,211	-	4,110,123	4,186,626
Cash - designated	1,835,930	-	-	1,835,930	1,523,780
Deposits	4,750	-	-	4,750	4,750
Beneficial interest in trust	-	1,446	50,000	51,446	-
Furniture and equipment, net	61,014	-	-	61,014	93,316
Total assets	<u>\$ 5,805,606</u>	<u>\$ 207,657</u>	<u>\$ 50,000</u>	<u>\$ 6,063,263</u>	<u>\$ 5,808,472</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 63,821	\$ -	\$ -	\$ 63,821	\$ 54,982
Accrued salaries	224,955	-	-	224,955	205,913
Accrued compensated absences	265,653	-	-	265,653	254,456
Refundable advances	200,988	-	-	200,988	640,471
Total current liabilities	755,417	-	-	755,417	1,155,822
Trust account	20,559	-	-	20,559	41,103
Public guardianship account	1,815,371	-	-	1,815,371	1,482,677
Total liabilities	2,591,347	-	-	2,591,347	2,679,602
Net assets:					
Unrestricted	3,214,259	-	-	3,214,259	2,964,667
Restricted	-	207,657	50,000	257,657	164,203
Total net assets	3,214,259	207,657	50,000	3,471,916	3,128,870
Total liabilities and net assets	<u>\$ 5,805,606</u>	<u>\$ 207,657</u>	<u>\$ 50,000</u>	<u>\$ 6,063,263</u>	<u>\$ 5,808,472</u>

See accompanying notes to financial statements.

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Support and revenues:					
Governmental grants	\$ 6,872,829	\$ -	\$ -	\$ 6,872,829	\$ 5,968,001
Foundation grants	401,372	118,279	25,000	544,651	619,213
Other grants	265,847	117,243	-	383,090	408,628
Contributions	453,335	-	-	453,335	616,256
Program service revenue	159,025	-	-	159,025	170,639
Special events and activities	402,016	-	-	402,016	400,819
Investment income	14,584	-	-	14,584	15,247
Change in unrealized gain on investments	40,425	-	-	40,425	28,472
Change in value of beneficial interest in trust	-	1,446	-	1,446	-
Other revenue	86,476	-	-	86,476	43,629
Total support and revenues	<u>8,695,909</u>	<u>236,968</u>	<u>25,000</u>	<u>8,957,877</u>	<u>8,270,904</u>
Net assets released from restrictions	<u>168,514</u>	<u>(193,514)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Expenses:					
Program	7,898,173	-	-	7,898,173	7,225,379
Management and general	324,381	-	-	324,381	312,466
Fundraising	392,277	-	-	392,277	397,825
Total expenses	<u>8,614,831</u>	<u>-</u>	<u>-</u>	<u>8,614,831</u>	<u>7,935,670</u>
Change in net assets	249,592	43,454	50,000	343,046	335,234
Net assets, beginning of year	<u>2,964,667</u>	<u>164,203</u>	<u>-</u>	<u>3,128,870</u>	<u>2,793,636</u>
Net assets, end of year	<u>\$ 3,214,259</u>	<u>\$ 207,657</u>	<u>\$ 50,000</u>	<u>\$ 3,471,916</u>	<u>\$ 3,128,870</u>

See accompanying notes to financial statements.

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>2017 Totals</u>	<u>2016 Totals</u>
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 7,263,048	\$ 8,216,841
Cash received from client agencies	159,025	170,639
Cash received from fundraising events	402,016	400,819
Investment income	14,584	15,247
Other cash received	86,476	43,629
Cash paid to employees	(7,053,708)	(6,453,874)
Cash paid for goods and services	<u>(1,484,016)</u>	<u>(1,343,352)</u>
Net cash provided by (used in) operating activities	<u>(612,575)</u>	<u>1,049,949</u>
Cash flows from investing activities:		
Purchase of investments	(6,148)	(6,970)
Repayments from (advances to) employees	7,961	(4,762)
Contributions to beneficial interest in trust	(25,000)	-
Purchase of furniture and equipment	<u>(22,629)</u>	<u>(46,127)</u>
Net cash used in investing activities	<u>(45,816)</u>	<u>(57,859)</u>
Net change in cash and cash equivalents	(658,391)	992,090
Cash and cash equivalents, beginning of year	<u>2,865,775</u>	<u>1,873,685</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,207,384</u></u>	<u><u>\$ 2,865,775</u></u>

See accompanying notes to financial statements.

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>2017 Totals</u>	<u>2016 Totals</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 343,046	\$ 335,234
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	54,931	57,440
Change in unrealized gain on investments	(40,425)	(28,472)
Contributions to beneficial interest in trust	(25,000)	-
Change in value of beneficial interest in trust	(1,446)	-
Decrease (increase) in:		
Accounts receivable	(526,374)	166,796
Prepaid expenses	(16,902)	3,689
Increase (decrease) in:		
Accounts payable	8,839	14,209
Accrued salaries	19,042	24,345
Accrued compensated absences	11,197	38,761
Refundable advances	(439,483)	437,947
Net cash provided by (used in) operating activities	<u>\$ (612,575)</u>	<u>\$ 1,049,949</u>

See accompanying notes to financial statements.

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017

(with comparable totals for 2016)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Salaries	\$ 5,389,550	\$ 234,061	\$ 167,269	\$ 5,790,880	\$ 5,295,553
Payroll taxes	391,504	17,906	12,552	421,962	383,241
Employee benefits	820,437	33,746	16,922	871,105	838,186
Total personnel expenses	6,601,491	285,713	196,743	7,083,947	6,516,980
Bank charges	2,549	268	4,954	7,771	6,507
Bar functions	5,788	210	93	6,091	4,194
Dues and licenses	29,836	1,107	1,096	32,039	34,229
Equipment rental and maintenance	47,600	1,821	3,302	52,723	50,286
Fundraising event costs	-	-	150,026	150,026	146,342
Insurance	32,094	1,178	863	34,135	32,108
Investment fees	4,245	156	115	4,516	4,037
Library	33,862	1,229	512	35,603	29,137
Litigation costs	67,493	-	-	67,493	68,196
Miscellaneous expense	2,480	89	19	2,588	3,303
Other project expenses	95,088	-	135	95,223	31,995
Parking	17,544	629	54	18,227	8,888
Postage and shipping	24,639	917	1,004	26,560	28,418
Printing	14,032	671	4,733	19,436	13,390
Pro bono expenses	5,176	-	-	5,176	9,335
Professional fees	58,952	2,146	1,082	62,180	53,953
Public relations	9,295	427	2,640	12,362	10,982
Recruiting	4,292	167	389	4,848	3,712
Rent and utilities	517,635	17,942	17,333	552,910	536,469
Specific assistance to individuals	28,413	-	-	28,413	57,267
Staff development	9,023	342	532	9,897	11,913
Sub-grants	31,235	-	-	31,235	-
Supplies	81,948	3,010	2,246	87,204	71,899
Telephone and communications	30,740	1,122	654	32,516	33,190
Training and education	10,643	417	1,017	12,077	26,004
Travel	81,690	2,924	90	84,704	85,496
Depreciation	50,390	1,896	2,645	54,931	57,440
Total expenses	<u>\$ 7,898,173</u>	<u>\$ 324,381</u>	<u>\$ 392,277</u>	<u>\$ 8,614,831</u>	<u>\$ 7,935,670</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2017

1. **Summary of Significant Accounting Policies**

Organization and Nature of Activities

Legal Aid Society of Palm Beach County, Inc. (the "Society"), is a Florida not-for-profit corporation organized on November 18, 1970 for the purpose of providing free legal assistance to indigent clients in Palm Beach County.

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Support is recognized when received, revenues are recognized when earned, and expenses are recognized when incurred. The significant accounting policies followed by the Society are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Society follows FASB Accounting Standards Codification (FASB ASC) 958-205, *Presentation of Financial Statements*. The standard requires that the Society present information regarding its financial position and activities according to three classes of net assets, described as follows:

Unrestricted Net Assets: this classification includes those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Changes in net assets arising from exchange transaction (except income and gains on assets that are restricted by donors or by law) are included in the unrestricted net assets.

Temporarily Restricted Net Assets: this classification includes those net assets whose use by the Society has been limited by donors to either later periods of time, or after specified dates, or for a specified purpose.

Permanently Restricted Net Assets: this classification includes those net assets that must be maintained by the Society in perpetuity. Permanently restricted net assets increase when the Society receives contributions for which donor-imposed restrictions limiting the Society's use of an asset or its economic benefits neither expire with the passage of time nor can be removed by the Society meeting certain requirements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

For the Year Ended September 30, 2017

1. Summary of Significant Accounting Policies, continued

Fair Value of Financial Instruments

The Society follows FASB ASC 820-10, *Fair Value Measurement and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended September 30, 2016, from which the summarized information was derived. Certain 2016 amounts have been reclassified to conform to 2017 classifications. Such reclassifications have no effect on the change in net assets as previously reported.

Cash and Cash Equivalents, Cash - Designated

For purposes of the statement of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

In connection with its Public Guardianship Program (PGP) and its legal practice, the Society maintains designated cash funds that are held in separate accounts for the benefit of wards and clients. These accounts are reported as non-current assets under the caption "cash - designated," and as non-current liabilities under the captions of "trust account" and "public guardianship account."

Accounts Receivable

Accounts receivable consist of amounts due to the Society under various federal, state and local grants and promises to give from United Way and other agencies. Because the amounts are considered to be fully collectible, there is no provision for doubtful accounts as of September 30, 2017.

Furniture and Equipment

Furniture and equipment is stated at cost, or if donated, at the approximate fair value at the date of the donation. Individual items costing less than \$500 are expensed. Expenditures for repairs and maintenance are charged to expense as incurred. Major improvements are capitalized. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years.

For the Year Ended September 30, 2017

1. *Summary of Significant Accounting Policies, continued*

Compensated Absences

Full-time employees of the Society accrue vacation at varying rates depending upon the length of service. A maximum of 20 vacation days may be accumulated at any time during the year.

Refundable Advances

The Society has reimbursement arrangements with various grantors whereby the Society receives funds ahead of the expenditures. In accordance with the terms of these arrangements, any funds that are not spent within the contract period must be refunded to the grantors.

Contributions

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and according to natural classification in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

Advertising

The Society expenses advertising costs as incurred and includes such expenses in the public relations category in the Statement of Functional Expenses.

Recent Accounting Pronouncements

The Financial Accounting Standards Board recently issued several Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities. The FASB issued ASU 2016-02, *Leases* (Topic 842), which does not take effect until the Society's fiscal year ending September 30, 2021, and provides new guidance for leases, such that virtually all leases will be capitalized and create "right of use" assets along with associated liabilities. This standard will impact the interpretation of certain transactions of the Society, and management is evaluating the effect that the updated standard will have on the financial statements. ASU 2016-14, *Not-for-Profit Entities* (Topic 958), imposes new requirements for the presentation and disclosure of not-for-profit financial statements, including a reduction in the number of net asset categories from 3 classes to 2 classes, a requirement to present a statement of functional expenses, a requirement to disclose the quantitative and qualitative aspects of its liquidity, in addition to other provisions. This ASU will be effective for the Society's fiscal year ending September 30, 2019, with early implementation permitted. As with the new guidance on leasing, management is evaluating the effect that this updated standard will have on the financial statements.

For the Year Ended September 30, 2017

1. Summary of Significant Accounting Policies, continued

Income taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose would be subject to taxation as unrelated business income. There were no such unrelated activities for the year ended September 30, 2017.

The Society follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. An entity may only recognize or continue to recognize tax positions that meet a "more likely than not" threshold. The Society assesses its income tax positions based on management's evaluation of the facts, circumstances and information available at the reporting date. The Society uses the prescribed more likely than not threshold when making its assessment. For the year ended September 30, 2017, the Society did not accrue any interest expense or penalties related to its tax positions. Furthermore, there are currently no open Federal or State tax years under audit.

2. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2* – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the Year Ended September 30, 2017

2. Fair Value Measurements, continued

Fair Value of Financial Instruments: The following methods and assumptions were used by the Society in estimating fair value of financial instruments that are not disclosed under ASC 820.

Cash, Cash Equivalents and Cash Designated: The carrying amount reported approximates fair value.

Accounts and Employee Receivable: The carrying amount approximates fair value due to the relative size, timing and amounts to be collected.

Accounts Payable, Accrued Salaries and Compensated Absences: The carrying amount reported approximates fair value due to the short term duration of the instruments.

Items Measured at Fair Value on a Recurring Basis: The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of September 30, 2017.

Investments: Valued at net asset value (“NAV”) by the custodian as of the close of business at year end September 30, 2017.

Beneficial Interest in Trust: Valued by the 3rd party custodian at the current fair value of underlying investment assets in the account, which provides a perpetual stream of income to the Society.

The following table sets forth by level, within the fair value hierarchy, the Society’s assets at fair value as of September 30, 2017:

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 484,010	\$ -	\$ -	\$ 484,010
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>51,446</u>	<u>51,446</u>
Total	<u>\$ 484,010</u>	<u>\$ -</u>	<u>\$ 51,446</u>	<u>\$ 535,456</u>

The table below sets forth a summary of changes in the fair value of the beneficial interest in trust for the year ended September 30, 2017.

Balance, beginning of year	\$ -
Issuances/contributions	50,000
Settlements/collections	-
Change in value	<u>1,446</u>
Balance, end of year	<u>\$ 51,446</u>

3. Investments

Investments in mutual funds are presented in the financial statement at fair value, with the resulting realized and change in unrealized gains and losses included in the Statement of Activities. Investment transactions and related expenses are accounted for on a trade date basis.

For the Year Ended September 30, 2017

3. Investments, continued

Investments consist of the following as of September 30, 2017:

Money market funds	\$ 9,331
Fixed income mutual funds	164,282
Common stock mutual funds	103,050
Exchange-traded funds	<u>207,347</u>
Total investments at fair market value	484,010
Total investments at cost	<u>336,827</u>
Unrealized gains	147,183
Less beginning balance of unrealized gains	<u>106,758</u>
Total change in unrealized gain	<u>\$ 40,425</u>

4. Accounts Receivable

Accounts receivable consisted of the following as of September 30, 2017:

Federal and state grants	\$ 486,763
Local government grants	763,288
United Way Allocation	<u>117,933</u>
	<u>\$ 1,367,984</u>

5. Furniture and Equipment

Furniture and equipment consisted of the following as of September 30, 2017:

Furniture and fixtures	\$ 105,339
Computer equipment	131,669
Software	67,276
Other assets	<u>208,397</u>
	512,681
Less accumulated depreciation	<u>451,667</u>
Furniture and equipment, net	<u>\$ 61,014</u>

6. Beneficial Interest in Trust

The Society is the income beneficiary of a perpetual trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties, Inc. (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. During the year ended September 30, 2017, the Society did not receive any distributions from the Fund.

For the Year Ended September 30, 2017

7. Line of Credit

The Society has a \$250,000 line of credit with interest at the bank's prime rate (4.75% as of September 30, 2017), that is secured by accounts receivable and other business assets. No amount was outstanding as of September 30, 2017.

8. Restricted Net Assets

Temporarily restricted net assets as of September 30, 2017 consisted of a proportion of the United Way of Palm Beach County Allocation, the income generated under the beneficial interest in trust, and various grants received to support specific programs of the Society in the following year.

Permanently restricted net assets as of September 30, 2017 consisted of the original contributions added to the beneficial interest in trust.

9. Government Grants

Government grants consist of \$1,500,724 from various federal government agencies, \$638,279 from state government agencies, and \$4,733,826 from local government agencies.

Grants from local government agencies include \$3,362,291 from Children's Services Council, and \$1,371,535 from Palm Beach County.

Children's Services Council funds the following programs:

Non-profit legal assistance project	\$ 60,000
Children's Advocacy Project	3,044,321
Project DULCE	213,970
Family Information Clinics	20,000
Other	<u>24,000</u>
	<u>\$ 3,362,291</u>

Palm Beach County funds the following projects:

Domestic violence	\$ 137,813
Guardian advocacy	92,245
Guardianship program for elder citizens	154,530
Homeless legal prevention	30,450
Wage dispute project	131,933
Other legal assistance	<u>824,564</u>
	<u>\$ 1,371,535</u>

10. Foundation Grants

Foundation grants received during the year amounted to \$544,651, of which approximately \$276,000 was from the Florida Bar Foundation.

For the Year Ended September 30, 2017

11. Other Grants

Other grants received during the year amounted to \$383,090, of which approximately \$132,000 was awarded from United Way of Palm Beach County.

12. Operating Lease Commitment

The Society leases its office space under two non-cancelable leases extending through February, 2023. For the year ended September 30, 2017, rent expense for office space was approximately \$553,000, and is included in the rent and utilities category in the Statement of Functional Expenses.

A schedule of future minimum rental payments under the leases as of September 30 is as follows:

2018	\$ 554,498
2019	571,133
2020	588,267
2021	605,915
2022	624,092
Thereafter	<u>642,815</u>
	<u>\$ 3,586,720</u>

The Society is also lessee under operating lease agreements extending through May 2021, for the use of various items of office equipment. For the year ended September 30, 2017, equipment rental expense totaled approximately \$28,400, and is included in equipment rental and maintenance expense in the Statement of Functional Expenses. Minimum expected future lease payments for office equipment as of September 30, are as follows:

2018	\$ 25,877
2019	22,871
2020	6,804
2021	<u>1,523</u>
	<u>\$ 62,918</u>

13. Concentration of Credit Risk

The Society maintains cash deposits at different banks, which the Society periodically evaluates and believes to be in sound financial condition. Deposits located at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2017, the uninsured portion of deposits aggregated to approximately \$3,815,000. This amount included approximately \$2,200,000 held in a Repurchase Agreement account, which is backed by the full faith and credit of the United States Government. The Society has not experienced any loss on such accounts and management believes it is not exposed to any significant credit risk arising from such balances.

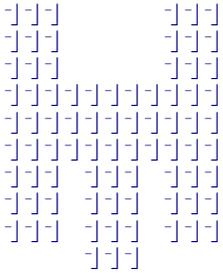
For the Year Ended September 30, 2017

14. Retirement Plan

The Society maintains a 401(k) profit sharing plan for all eligible employees, as more fully described in the plan documents. The Society makes match contribution in an amount equal to 100% of the participant's elective contribution not in excess of 2% of the participant's compensation for the plan year. The Society also has the option to make discretionary contributions to the plan. The Society's contribution to the plan for the year ended September 30, 2017 was \$81,353.

15. Subsequent events

The Society's management has evaluated subsequent events through April 25, 2017, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.



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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

To the Board of Directors of
Legal Aid Society of Palm Beach County, Inc.
West Palm Beach, Florida

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 Legal Aid Society of Palm Beach County, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Legal Aid Society of Palm Beach County, Inc.'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Legal Aid Society of Palm Beach County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Society of Palm Beach County, Inc.'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 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. 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

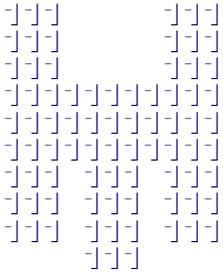
As part of obtaining reasonable assurance about whether Legal Aid Society of Palm Beach County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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 Legal Aid Society of Palm Beach County, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
April 25, 2018



Holyfield & Thomas, LLC

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

To the Board of Directors of
Legal Aid Society of Palm Beach County, Inc.
West Palm Beach, Florida

Report on Compliance for Each Major Federal Program

We have audited Legal Aid Society of Palm Beach County, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Legal Aid Society of Palm Beach County, Inc.'s major federal programs for the year ended September 30, 2017. Legal Aid Society of Palm Beach County, Inc.'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Legal Aid Society of Palm Beach County, Inc.'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; 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). 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 Legal Aid Society of Palm Beach County, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Legal Aid Society of Palm Beach County, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Legal Aid Society of Palm Beach County, Inc. 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 September 30, 2017.

Report on Internal Control Over Compliance

Management of Legal Aid Society of Palm Beach County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Legal Aid Society of Palm Beach County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Legal Aid Society of Palm Beach County, Inc.'s 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 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
April 25, 2018

For the Year Ended September 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Type of auditor’s report issued on compliance on major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Major program:	U.S. Department of Health and Human Services
CFDA Number	14.418
Name of Federal Program or Cluster:	Fair Housing Initiative Program

Dollar Threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee?	Yes

For the Year Ended September 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the year ended September 30, 2017.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings or questioned costs reported for the year ended September 30, 2017.

CORRECTIVE ACTION PLAN

There is no corrective action plan required, as there are no findings or questioned costs reported for the year ended September 30, 2017.

PRIOR YEAR FINDINGS

There were no prior audit findings for the year ended September 30, 2016, relative to federal awards requiring action on the part of the auditee for that fiscal year.

SUPPLEMENTARY INFORMATION

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

For the Year Ended September 30, 2017

Federal Grantor Pass-through Entity Federal Program Title	Period	CFDA Number	Award Number	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Fair Housing Initiative Program	01/01/16 - 12/31/16	14.418	FH700G14029	\$ 77,846
Fair Housing Initiative Program	01/01/17 - 12/31/17	14.418	FH700G14029	234,649
Fair Housing Initiative Program	01/01/17 - 12/31/17	14.416	FEOI160034-01-01	91,781
				<u>404,276</u>
Passed through from Palm Beach County, Florida:				
Community Development Block Grants	10/01/16 - 09/30/17	14.218	R2016-1499	47,242
Passed through from City of Boca Raton, Florida:				
Community Development Block Grants	10/01/16 - 09/30/17	14.218	FY2016-2017CDBG	2,900
Passed through from City of Boynton Beach, Florida:				
Community Development Block Grants	10/01/16 - 09/30/17	14.218	FY2016-2017CDBG	3,740
Passed through from City of Delray, Florida:				
Community Development Block Grants	10/01/16 - 09/30/17	14.218	FY2016-2017CDBG	4,000
				<u>4,000</u>
Total U.S. Department of Housing and Urban Development				<u>462,158</u>
U.S. Department of Justice:				
Passed through from Florida's Coalition Force Against Domestic Violence:				
Violence Against Women	07/01/16 - 06/30/17	16.588	17-2062-LCH	10,138
Violence Against Women	07/01/17 - 06/30/18	16.588	18-2062-LCH	3,600
				<u>13,738</u>
Passed through from Florida Office of the Attorney General:				
Crime Victim Assistance	10/01/16 - 09/30/17	16.575	VOCA-2016-Legal Aid Society of Palm-00161	205,800
Passed through from Office on Violence Against Women:				
Legal Assistance for Victims	10/01/16 - 09/30/19	16.524	2016-WL-AX-0058	181,995
				<u>181,995</u>
Total U.S. Department of Justice				<u>401,533</u>
U.S. Department of Treasury:				
Low Income Taxpayer Clinics	01/01/16 - 12/31/16	21.008	16LITC0123-03-00	19,905
Low Income Taxpayer Clinics	01/01/17 - 12/31/17	21.008	17-LITC0286-01-00	64,482
				<u>64,482</u>
Total U.S. Department of Treasury				<u>84,387</u>

(continued on next page)

*See independent auditor's report and accompanying notes to
Schedule of Expenditures of Federal Awards.*

**LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.**

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

For the Year Ended September 30, 2017

Federal Grantor Pass-through Entity Federal Program Title	Period	CFDA Number	Award Number	Federal Expenditures
<i>(continued from previous page)</i>				
U.S. Department of Health and Human Services:				
Older Americans Act, Title III B and Title III E - Support Services	01/01/17 - 12/31/17 01/01/18 - 12/31/18	93.044/.052 93.044/.052	IA 016-9001 IA 016-9001	\$ 44,263 188,085 <u>232,348</u>
Passed through from Palm Beach County, Florida:				
HIV Emergency Relief Project HIV Emergency Relief Project	03/01/16 - 02/28/17 03/01/17 - 02/28/18	93.914 93.914	R2016-0488 R2017-0249	124,703 195,595 <u>320,298</u>
Total U.S. Department of Health and Human Services				<u>552,646</u>
Total expenditures of federal awards				<u><u>\$ 1,500,724</u></u>

*See independent auditor's report and accompanying notes to
Schedule of Expenditures of Federal Awards.*

For the Year Ended September 30, 2017

1. **Basis of Presentation**

The purpose of the accompanying schedule of expenditures of federal awards is to present, in summary form, total federal expenditures of Legal Aid Society of Palm Beach County, Inc. for the year ended September 30, 2017. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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).

2. **Scope of Audit Pursuant to Uniform Guidance**

All federal grant operations of Legal Aid Society of Palm Beach County, Inc. are included in the scope of the Uniform Guidance.

Programs tested as major federal programs included awards from the U.S. Department of Housing and Urban Development with fiscal year 2017 expenditures totaling \$312,495. Programs tested ensure coverage of at least 20 percent of federally granted funds. Actual coverage is approximately 21 percent of total federal award program expenditures.

See independent auditor's report.

For the Two-Years Ended September 30, 2017

SECTION I – SUMMARY OF FINANCIAL AUDIT RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weaknesses?	No

Major programs:	
CSFA Number	65.003
Name of State Program:	Statewide Public Guardianship Program Florida Department of Elder Affairs

Dollar amount of state funds received:	\$ 524,031
All Other Funding Sources:	
Legal Aid Society of Palm Beach County, Inc. – General operating fund	<u>16,133</u>
Total dollar amount of all funding received	<u>\$ 540,164</u>

See independent auditor’s report.

For the Two-Years Ended September 30, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no findings reported for the two-years ended September 30, 2017.

SECTION III – ALL OTHER FINDINGS

There are no other findings reported for the two-years ended September 30, 2017.

See independent auditor's report.

LEGAL AID SOCIETY OF
PALM BEACH COUNTY, INC.

SCHEDULE OF ACTIVITIES
PUBLIC GUARDIANSHIP
PROGRAM – STATE FUND

For the Two-Years Ended September 30, 2017

Revenues:

Governmental grants	\$ 524,031
General operating funds	<u>16,133</u>
Total support and revenues	<u>540,164</u>

Expenses:

Administrative	27,373
Salaries and related benefits	443,899
Printing and supplies	7,847
Rent and utilities	18,012
Telephone and communications	3,858
Travel	14,020
Other expenses	14,723
Depreciation	<u>10,432</u>
Total expenses	<u>540,164</u>

Change in net assets	-
Net assets, beginning of year	<u>-</u>
Net assets, end of year	<u><u>\$ -</u></u>

See independent auditor's report.