

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

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2019  
(with comparable totals for 2018)**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5-6
Statement of Functional Expenses	7
<b>NOTES TO FINANCIAL STATEMENTS</b>	8-17
<b>INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROL AND COMPLIANCE</b>	
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 <i>Government Auditing     Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20-21
Schedule of Findings and Questioned Costs	22-23
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards	24-25
Notes to Schedule of Expenditures of Federal Awards	26
Public Guardianship Program – State Funds:	
Schedule of Findings	27-28
Schedule of Activities	29



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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, 2019, 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, 2019, 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 24, 2020, 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. In addition, the schedules of Public Guardianship Program – State Funds are presented for purposes of additional analysis as required by the Florida Department of Elder Affairs, and are also not a required part of the basic financial statements. The schedules of expenditures of federal awards and Public Guardianship Program – State Funds are the responsibility of management and were derived from and relate 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, 2018 financial statements, and our report dated March 21, 2019, 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, 2018, 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 24, 2020

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

**STATEMENT OF FINANCIAL POSITION**

*As of September 30, 2019*

*(with comparable totals for 2018)*

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,883,689	\$ -	\$ 2,883,689	\$ 2,612,524
Investments	529,840	-	529,840	514,419
Accounts receivable	1,375,232	87,932	1,463,164	1,260,628
Other receivable	33,506	-	33,506	10,409
Prepaid expenses	51,211	-	51,211	69,826
Total current assets	4,873,478	87,932	4,961,410	4,467,806
Cash - designated	2,093,439	-	2,093,439	2,018,821
Deposits	4,750	-	4,750	4,750
Beneficial interest in trust	-	55,118	55,118	52,449
Furniture and equipment, net	21,623	-	21,623	38,004
Total assets	<u>\$ 6,993,290</u>	<u>\$ 143,050</u>	<u>\$ 7,136,340</u>	<u>\$ 6,581,830</u>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 118,411	\$ -	\$ 118,411	\$ 121,481
Accrued salaries	259,184	-	259,184	258,129
Accrued compensated absences	246,317	-	246,317	268,630
Refundable advances	203,217	-	203,217	163,619
Total current liabilities	827,129	-	827,129	811,859
Trust account	40,774	-	40,774	32,533
Public guardianship account	2,052,665	-	2,052,665	1,986,288
Total liabilities	2,920,568	-	2,920,568	2,830,680
Net assets:				
Without donor restrictions	4,072,722	-	4,072,722	3,610,769
With donor restrictions	-	143,050	143,050	140,381
Total net assets	4,072,722	143,050	4,215,772	3,751,150
Total liabilities and net assets	<u>\$ 6,993,290</u>	<u>\$ 143,050</u>	<u>\$ 7,136,340</u>	<u>\$ 6,581,830</u>

*See accompanying notes to financial statements.*

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

**STATEMENT OF ACTIVITIES**

***For the Year Ended September 30, 2019***

***(with comparable totals for 2018)***

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Support and revenues:				
Governmental grants	\$ 7,970,209	\$ -	\$ 7,970,209	\$ 7,557,045
Foundation grants	662,269	-	662,269	578,294
Other grants	248,669	117,243	365,912	384,058
Contributions	481,663	-	481,663	462,313
Program service revenue	226,613	-	226,613	184,925
Special events and activities	548,152	-	548,152	425,721
Investment income	14,861	-	14,861	11,098
Change in unrealized gain on investments	6,635	-	6,635	23,244
Change in value of beneficial interest in trust	-	2,669	2,669	1,003
Other revenue	185,714	-	185,714	248,281
	<u>10,344,785</u>	<u>119,912</u>	<u>10,464,697</u>	<u>9,875,982</u>
Total support and revenues				
Net assets released from restrictions	<u>117,243</u>	<u>(117,243)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program	9,000,789	-	9,000,789	8,664,126
Management and general	624,860	-	624,860	573,382
Fundraising	374,426	-	374,426	359,240
	<u>10,000,075</u>	<u>-</u>	<u>10,000,075</u>	<u>9,596,748</u>
Total expenses				
Change in net assets	461,953	2,669	464,622	279,234
Net assets, beginning of year	<u>3,610,769</u>	<u>140,381</u>	<u>3,751,150</u>	<u>3,471,916</u>
Net assets, end of year	<u>\$ 4,072,722</u>	<u>\$ 143,050</u>	<u>\$ 4,215,772</u>	<u>\$ 3,751,150</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, 2019***

***(with comparable totals for 2018)***

	<u>2019 Totals</u>	<u>2018 Totals</u>
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 9,317,115	\$ 9,051,697
Cash received from client agencies	226,613	184,925
Cash received from fundraising events	548,152	425,721
Investment income	14,861	11,098
Other cash received	185,714	248,281
Cash paid to employees	(8,288,248)	(7,958,890)
Cash paid for goods and services	<u>(1,722,045)</u>	<u>(1,539,626)</u>
Net cash provided by operating activities	<u>282,162</u>	<u>423,206</u>
Cash flows from investing activities:		
Purchase of investments	(8,786)	(7,165)
Purchase of furniture and equipment	<u>(2,211)</u>	<u>(10,901)</u>
Net cash used in investing activities	<u>(10,997)</u>	<u>(18,066)</u>
Cash flows from financing activities:		
Advances under agency transactions	<u>74,618</u>	<u>182,891</u>
Net cash provided by financing activities	<u>74,618</u>	<u>182,891</u>
Net change in cash and cash equivalents	345,783	588,031
Cash and cash equivalents, beginning of year	<u>4,631,345</u>	<u>4,043,314</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,977,128</u></u>	<u><u>\$ 4,631,345</u></u>
Cash and cash equivalents	\$ 2,883,689	\$ 2,612,524
Cash - designated	<u>2,093,439</u>	<u>2,018,821</u>
	<u><u>\$ 4,977,128</u></u>	<u><u>\$ 4,631,345</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, 2019***

***(with comparable totals for 2018)***

	<u>2019 Totals</u>	<u>2018 Totals</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 464,622	\$ 279,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,592	33,911
Change in unrealized gain on investments	(6,635)	(23,244)
Change in value of beneficial interest in trust	(2,669)	(1,003)
Decrease (increase) in:		
Accounts receivable	(202,536)	107,356
Other receivable	(23,097)	(8,312)
Prepaid expenses	18,615	(21,178)
Increase (decrease) in:		
Accounts payable	(3,070)	57,660
Accrued salaries	1,055	33,174
Accrued compensated absences	(22,313)	2,977
Refundable advances	<u>39,598</u>	<u>(37,369)</u>
Net cash provided by operating activities	<u>\$ 282,162</u>	<u>\$ 423,206</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, 2019***

***(with comparable totals for 2018)***

	Program	Management and General	Fundraising	2019 Totals	2018 Totals
Salaries	\$ 6,067,054	\$ 412,793	\$ 163,352	\$ 6,643,199	\$ 6,502,234
Payroll taxes	443,162	30,107	12,155	485,424	474,447
Employee benefits	1,033,135	65,893	16,242	1,115,270	1,010,048
Total personnel expenses	7,543,351	508,793	191,749	8,243,893	7,986,729
Bank charges	-	10,138	-	10,138	11,364
Bar functions	5,297	1,995	34	7,326	8,414
Dues and licenses	36,181	1,576	871	38,628	34,017
Equipment rental and maintenance	28,825	16,539	4,822	50,186	52,718
Fundraising event costs	625	-	146,952	147,577	143,245
Insurance	30,461	17,185	-	47,646	39,863
Library	23,865	3,005	504	27,374	33,635
Litigation costs	88,340	-	-	88,340	85,496
Miscellaneous expense	5,494	110	29	5,633	9,746
Other project expenses	32,220	200	-	32,420	20,309
Parking	35,823	90	55	35,968	31,578
Postage and shipping	24,117	376	600	25,093	26,555
Printing	13,513	392	3,314	17,219	9,979
Pro bono expenses	7,868	-	-	7,868	10,417
Professional fees	215,601	500	3,004	219,105	111,037
Public relations	4,281	6,994	645	11,920	12,989
Recruiting	6,120	98	156	6,374	6,197
Rent and utilities	541,058	36,512	13,758	591,328	580,119
Specific assistance to individuals	59,278	-	-	59,278	56,286
Staff development	1,999	4,439	119	6,557	8,738
Sub-grants	27,866	-	-	27,866	26,803
Supplies	94,288	2,680	6,958	103,926	98,187
Telephone and communications	31,417	75	572	32,064	38,698
Training and education	18,250	527	207	18,984	10,646
Travel	118,640	55	77	118,772	109,072
Depreciation	6,011	12,581	-	18,592	33,911
Total expenses	<u>\$ 9,000,789</u>	<u>\$ 624,860</u>	<u>\$ 374,426</u>	<u>\$10,000,075</u>	<u>\$ 9,596,748</u>

*See accompanying notes to financial statements.*

*For the Year Ended September 30, 2019*

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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 two classes of net assets, described as follows:

Net assets without donor restrictions: 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 net assets without donor restrictions.

Net assets with donor restrictions: 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted amounts are reclassified to net assets without donor restrictions. This classification also includes those net assets that must be maintained by the Society in perpetuity. These are 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, 2019***

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**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, 2018, from which the summarized information was derived. Certain 2018 amounts have been reclassified to conform to 2019 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 designated cash and 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, 2019.

*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, 2019*

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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 without donor restrictions 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 with donor restriction support that increase the net asset with donor restriction class. When a the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606) and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2018. Management is currently evaluating the standard and does not anticipate it will have a material impact on the Society's financial statements.

***For the Year Ended September 30, 2019***

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**1. Summary of Significant Accounting Policies, continued**

*Recent Accounting Pronouncements, continued*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2020. Management is currently evaluating the magnitude and other potential impacts on the Society’s financial statements.

*Recently Adopted Accounting Pronouncements*

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for net asset classification, Board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. The Society has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively. The new standard changes the following aspects of the Society’s financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset class has been combined into a single net assets class called net assets with donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 2).
- A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 changed the beginning net assets for the year ended September 30, 2019, follows:

As originally stated:

Unrestricted	\$ 3,610,769
Temporarily restricted	90,381
Permanently restricted	<u>50,000</u>
Total beginning net assets, October 1, 2018	<u>\$ 3,751,150</u>

As restated:

Without donor restrictions	\$ 3,610,769
With donor restrictions	<u>140,381</u>
Total beginning net assets, October 1, 2018	<u>\$ 3,751,150</u>

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*, which requires entities to show the changes in the total of cash, cash equivalents, designated cash and restricted cash in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and designated cash and restricted cash in the statement of cash flows. The ASU requires changes in the Society’s designated and restricted cash to be classified as either operating activities, investing activities or financing activities in the Statement of Cash Flows, depending on the nature of the activities that gave rise to the restriction.

***For the Year Ended September 30, 2019***

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**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, 2019.

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, 2019, 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. Liquidity and Availability of Resources**

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use within one year of the Statement of Financial Position date, comprise the following:

Cash and cash equivalents	\$ 2,883,689
Investments	584,958
Accounts receivable	1,463,164
Other receivable	<u>33,506</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,965,317</u>

The Society is substantially supported by contributions without donor and with donor restrictions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. Some of the Society’s net assets with donor restrictions are available for general expenditure within one year of September 30, 2019 because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Society in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Furthermore, the Society has a \$250,000 line of credit of which management may draw upon in the event of unanticipated financial distress or an immediate liquidity need (see Note 8). The Society forecasts its future cash flows and monitors liquidity on a monthly basis.

*For the Year Ended September 30, 2019*

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**3. 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.

*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 Other 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, 2019.

*Investments:* Valued at net asset value ("NAV") by the custodian as of the close of business at year end September 30, 2019.

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

*For the Year Ended September 30, 2019*

**3. Fair Value Measurements, continued**

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of September 30, 2019:

	<u>Assets at Fair Value</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 529,840	\$ -	\$ -	\$ 529,840
Beneficial interest in trust	<u>-</u>	<u>-</u>	<u>55,118</u>	<u>55,118</u>
Total	<u>\$ 529,840</u>	<u>\$ -</u>	<u>\$ 55,118</u>	<u>\$ 584,958</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, 2019.

Balance, beginning of year	\$ 52,449
Issuances/contributions	-
Settlements/collections	-
Change in value	<u>2,669</u>
Balance, end of year	<u>\$ 55,118</u>

**4. 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.

Investments consist of the following as of September 30, 2019:

Money market funds	\$ 19,274
Fixed income mutual funds	196,954
Common stock mutual funds	109,830
Exchange-traded funds	<u>203,782</u>
Total investments at fair market value	529,840
Total investments at cost	<u>352,778</u>
Unrealized gains	177,062
Less beginning balance of unrealized gains	<u>170,427</u>
Total change in unrealized gain	<u>\$ 6,635</u>

**5. Accounts Receivable**

Accounts receivable consisted of the following as of September 30, 2019:

Federal and state grants	\$ 434,622
Local government grants	940,589
United Way Allocation	<u>87,953</u>
	<u>\$ 1,463,164</u>



*For the Year Ended September 30, 2019*

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**6. Furniture and Equipment**

Furniture and equipment consisted of the following as of September 30, 2019:

Furniture and fixtures	\$ 105,994
Computer equipment	140,508
Software	67,276
Other assets	<u>212,015</u>
	525,793
Less accumulated depreciation	<u>504,170</u>
Furniture and equipment, net	<u>\$ 21,623</u>

**7. 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, 2019, the Society did not receive any distributions from the Fund.

**8. Line of Credit**

The Society has a \$250,000 line of credit with interest at the bank's prime rate (5.00% as of September 30, 2019), that is secured by accounts receivable and other business assets. No amount was outstanding as of September 30, 2019.

**9. Net Assets with Donor Restrictions**

Net assets with donor restrictions as of September 30, 2019 consisted of the following:

Subject to the passage of time:	
United Way of Palm Beach County Allocation	\$ 87,932
Beneficial interest in trust	<u>5,118</u>
Total time restrictions	<u>93,050</u>
Perpetual in nature:	
Beneficial interest in trust	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 143,050</u>

*For the Year Ended September 30, 2019*

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**10. Government Grants**

Government grants consist of \$2,182,400 from various federal government agencies, \$385,225 from state government agencies, and \$5,402,584 from local government agencies.

Grants from local government agencies include \$4,032,701 from Children’s Services Council, and \$1,369,883 from Palm Beach County.

Children’s Services Council funds the following programs:

Non-profit legal assistance project	\$ 60,000
Children's Advocacy Project	3,655,772
Project DULCE	<u>316,929</u>
	<u>\$ 4,032,701</u>

Palm Beach County funds the following projects:

Domestic violence	\$ 111,144
Guardian advocacy	92,245
Guardianship program for elder citizens	153,476
Homeless legal prevention	33,495
Wage dispute project	135,992
Other legal assistance	<u>843,531</u>
	<u>\$ 1,369,883</u>

**11. Foundation Grants**

Foundation grants received during the year amounted to \$662,269, of which approximately \$310,800 was from the Florida Bar Foundation.

**12. Other Grants**

Other grants received during the year amounted to \$365,912, of which approximately \$118,000 was awarded from United Way of Palm Beach County.

**13. Operating Lease Commitment**

The Society leases its office space under two non-cancelable leases extending through February, 2023. For the year ended September 30, 2019, rent expense for office space was \$591,328, 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:

2020	\$ 589,430
2021	605,336
2022	623,496
2023	<u>262,982</u>
	<u>\$ 2,081,244</u>

*For the Year Ended September 30, 2019*

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**13. Operating Lease Commitment, continued**

The Society is also lessee under operating lease agreements extending through November 2023, for the use of various items of office equipment. For the year ended September 30, 2019, equipment rental expense totaled approximately \$33,650, 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:

2020	\$	30,200
2021		28,035
2022		24,959
2023		24,364
2024		<u>15,594</u>
	\$	<u>123,152</u>

**14. Concentration of Credit Risk**

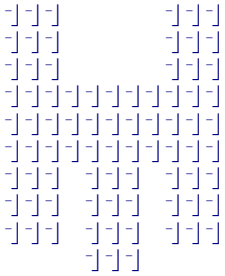
The Society maintains cash deposits at different banks, which the Society periodically evaluates and believes to be in sound financial condition. Deposits located at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2019, the uninsured portion of deposits aggregated to approximately \$1,857,800. 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.

**15. 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, 2019 was \$98,023.

**16. Subsequent events**

The Society's management has evaluated subsequent events through April 24, 2020, 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.



# Holyfield & Thomas, LLC

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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, 2019, 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 24, 2020.

### ***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***

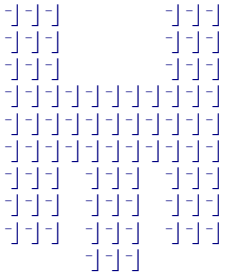
As part of obtaining reasonable assurance about whether Legal Aid Society of Palm Beach County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 24, 2020



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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, 2019. 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, 2019.

### ***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 24, 2020

*For the Year Ended September 30, 2019*

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**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 Justice
CFDA Number	16.575
Name of Federal Program or Cluster:	Crime Victim Assistance

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, 2019*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no findings reported for the year ended September 30, 2019.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no findings or questioned costs reported for the year ended September 30, 2019.

**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, 2019.

**PRIOR YEAR FINDINGS**

There were no prior audit findings for the year ended September 30, 2018, 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, 2019***

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	04/01/18 - 03/31/19	14.418	FH700G14029	\$ 150,000
Fair Housing Initiative Program	04/01/19 - 03/31/20	14.418	FPEI186053-01	136,848
Fair Housing Initiative Program	12/01/18 - 11/30/19	14.416	FE01180064-01-00	<u>105,413</u>
				392,261
Passed through from Palm Beach County, Florida:				
Community Development Block Grants	10/01/18 - 09/30/19	14.218	R2018-1586	55,759
Passed through from City of Boca Raton, Florida:				
Community Development Block Grants	10/01/18 - 09/30/19	14.218	FY2018-2019CDBG	1,800
Passed through from City of Boynton Beach, Florida:				
Community Development Block Grants	10/01/18 - 09/30/19	14.218	FY2018-2019CDBG	5,000
Passed through from City of Delray, Florida:				
Community Development Block Grants	10/01/18 - 09/30/19	14.218	FY2018-2019CDBG	<u>4,250</u>
Total U.S. Department of Housing and Urban Development				<u>459,070</u>
U.S. Department of Justice:				
Passed through from Florida's Coalition Force Against Domestic Violence:				
Violence Against Women	07/01/18 - 06/30/19	16.588	19-2062-LS	42,436
Violence Against Women	07/01/19 - 06/30/20	16.588	19-2062-LS-#1	<u>16,311</u>
				58,747
Passed through from Florida Office of the Attorney General:				
Crime Victim Assistance	10/01/18 - 09/30/19	16.575	VOCA-2018-Legal Aid Society of Palm-00054	750,510
Passed through from Office on Violence Against Women:				
Legal Assistance for Victims	10/01/16 - 09/30/19	16.524	2016-WL-AX-0058	<u>227,582</u>
Total U.S. Department of Justice				<u>1,036,839</u>
U.S. Department of Treasury:				
Low Income Taxpayer Clinics	01/01/18 - 12/31/18	21.008	18-LITC0286-02-00	20,710
Low Income Taxpayer Clinics	01/01/19 - 12/31/19	21.008	19-LITC0286-03-00	<u>68,544</u>
Total U.S. Department of Treasury				<u>89,254</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, 2019***

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	01/01/18 - 12/31/18	93.044/.052	IA 016-9001	\$ 67,120
Title III E - Support Services	01/01/19 - 12/31/19	93.044/.052	IA 016-9001	<u>252,497</u>
				<u>319,617</u>
Passed through from Palm Beach County, Florida:				
HIV Emergency Relief Project	03/01/18 - 02/28/19	93.914	R2018-0221	109,446
HIV Emergency Relief Project	03/01/19 - 02/28/20	93.914	R2018-0221	<u>168,174</u>
				<u>277,620</u>
Total U.S. Department of Health and Human Services				<u>597,237</u>
Total expenditures of federal awards				<u>\$ 2,182,400</u>

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

*For the Year Ended September 30, 2019*

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**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, 2019. 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 2019 expenditures totaling \$750,510. Programs tested ensure coverage of at least 20 percent of federally granted funds. Actual coverage is approximately 35 percent of total federal award program expenditures.

*See independent auditor's report.*

*For the Two-Years Ended September 30, 2019*

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**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:	\$ 580,578
All Other Funding Sources:	
Legal Aid Society of Palm Beach County, Inc. – General operating fund	<u>94,247</u>
Total dollar amount of all funding received	<u>\$ 674,825</u>

*See independent auditor's report.*

*For the Two-Years Ended September 30, 2019*

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

There are no findings reported for the two-years ended September 30, 2019.

**SECTION III – ALL OTHER FINDINGS**

There are no other findings reported for the two-years ended September 30, 2019.

*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, 2019*

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Revenues:

Governmental grants	\$ 580,578
General operating funds	<u>94,247</u>
Total support and revenues	<u>674,825</u>

Expenses:

Salaries and related benefits	598,875
Rent and utilities	21,481
Travel	19,576
Other	13,722
Professional fees	6,619
Depreciation	5,423
Supplies	5,422
Telephone and communications	<u>3,707</u>
Total expenses	<u>674,825</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.*