

**Yoakum, Lovell & Co., PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Legal Aid of Arkansas

Financial Statements

December 31, 2018 and 2017

Recipient #604020

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# **Yoakum, Lovell & Co., PLC**

CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditors' Report**

Board of Directors  
Legal Aid of Arkansas  
Jonesboro, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Legal Aid of Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 positions of Legal Aid of Arkansas as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other matters

### *Supplementary information*

Our audits were 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. In addition, the accompanying supplementary information on pages 13 through 25 are presented for purposes of additional analysis, and are also 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 audits 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 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.

## Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2019, on our consideration of Legal Aid of Arkansas'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 the effectiveness of Legal Aid of Arkansas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Legal Aid of Arkansas's internal control over financial reporting and compliance.

Benton, Arkansas  
February 21, 2019

*Joakum, Lovell & Co., P.C.*  
Certified Public Accountants

Legal Aid of Arkansas  
Statements of Financial Position  
December 31, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current Assets		
Cash	\$1,499,822	\$1,258,836
Client Trust Deposits	5,524	4,788
Grants and Contracts Receivable	103,169	44,446
Prepaid Expenses	34,613	35,255
Total Current Assets	<u>1,643,128</u>	<u>1,343,325</u>
Property and Equipment, Net	<u>262,404</u>	<u>277,336</u>
Total Assets	<u><u>\$1,905,532</u></u>	<u><u>\$1,620,661</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts Payable	\$ 15,192	\$ 17,654
Accrued Expenses	82,670	66,693
Accrued Leave	84,047	75,540
Client Deposits Held in Trust	5,524	4,788
Deferred Support	197,575	187,429
Current Portion of Long-Term Debt	16,575	15,678
Total Current Liabilities	<u>401,583</u>	<u>367,782</u>
Long-Term Debt	<u>156,737</u>	<u>175,155</u>
Total Liabilities	<u>558,320</u>	<u>542,937</u>
Net Assets		
Without Donor Restrictions		
Arkansas Filing Fees	400,814	309,231
Donations	734,298	619,502
Property	64,620	57,314
Total Without Donor Restrictions	<u>1,199,732</u>	<u>986,047</u>
With Donor Restrictions		
LSC Basic Field	119,883	62,476
Equal Justice Works - Americorps		12
National Health Law Program	3,125	
Property	24,472	29,189
Total With Donor Restrictions	<u>147,480</u>	<u>91,677</u>
Total Net Assets	<u>1,347,212</u>	<u>1,077,724</u>
Total Liabilities and Net Assets	<u><u>\$1,905,532</u></u>	<u><u>\$1,620,661</u></u>

The accompanying notes are an integral part of these financial statements.



Legal Aid of Arkansas  
Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and Contracts	\$	\$2,688,002	\$2,688,002
Contributions	136,072		136,072
Other Support	250,214	3,700	253,914
Donated Services		487,999	487,999
Miscellaneous		54,742	54,742
Interest		13,344	13,344
Net Assets Released from Restriction	3,191,984	(3,191,984)	
Total Support	<u>3,578,270</u>	<u>55,803</u>	<u>3,634,073</u>
Expenses			
Program Services	3,082,093		3,082,093
Supporting Services			
Management and General	282,492		282,492
Total Expenses	<u>3,364,585</u>		<u>3,364,585</u>
Change in Net Assets	213,685	55,803	269,488
Net Assets at Beginning of Year	<u>986,047</u>	<u>91,677</u>	<u>1,077,724</u>
Net Assets at End of Year	<u>\$1,199,732</u>	<u>\$ 147,480</u>	<u>\$1,347,212</u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas  
Statement of Activities  
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and Contracts	\$	\$2,408,838	\$2,408,838
Contributions	146,641		146,641
Other Support	250,214	80,082	330,296
Donated Services		646,435	646,435
Miscellaneous		43,742	43,742
Interest		4,450	4,450
Net Assets Released from Restriction	3,112,752	(3,112,752)	
Total Support	<u>3,509,607</u>	<u>70,795</u>	<u>3,580,402</u>
Expenses			
Program Services	3,007,051		3,007,051
Supporting Services			
Management and General	257,278		257,278
Total Expenses	<u>3,264,329</u>		<u>3,264,329</u>
Change in Net Assets	245,278	70,795	316,073
Net Assets at Beginning of Year	740,769	20,882	761,651
Net Assets at End of Year	<u>\$ 986,047</u>	<u>\$ 91,677</u>	<u>\$1,077,724</u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas  
Statements of Functional Expenses  
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Expenses						
Salaries	\$1,864,239	\$ 193,555	\$2,057,794	\$1,718,287	\$ 165,916	\$1,884,203
Fringe Benefits	335,269	20,614	355,883	300,581	17,670	318,251
Professional Dues	15,832	920	16,752	16,181	870	17,051
Audit	15,000		15,000	15,000		15,000
Insurance	16,437	8,341	24,778	15,692	11,674	27,366
Contract Services	10,917		10,917	10,576		10,576
Training and Travel	45,770	12,912	58,682	27,244	14,721	41,965
Local Mileage	68,822	9,749	78,571	58,938	15,173	74,111
Space Rent	23,373		23,373	19,950		19,950
Utilities and Janitorial	26,644	1,621	28,265	26,214	1,505	27,719
Office Supplies	49,322	15,700	65,022	26,878	10,492	37,370
Printing				1,578	232	1,810
Postage	13,674	15	13,689	13,571	38	13,609
Telecommunications	36,340	13,101	49,441	37,839	15,479	53,318
Library	16,781		16,781	15,205		15,205
Repairs and Maintenance	19,156		19,156	20,881		20,881
Litigation	6,881		6,881	7,333		7,333
Advertising	2,205	5,964	8,169	4,806	3,508	8,314
Miscellaneous	3,085		3,085			
Interest Expense	9,415		9,415	9,397		9,397
Donated Services	487,999		487,999	646,435		646,435
Depreciation	14,932		14,932	14,465		14,465
Total Expenses	<u>\$3,082,093</u>	<u>\$ 282,492</u>	<u>\$3,364,585</u>	<u>\$3,007,051</u>	<u>\$ 257,278</u>	<u>\$3,264,329</u>

The accompanying notes are an integral part of these financial statements.



Legal Aid of Arkansas  
Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 269,488	\$ 316,073
Items Not Requiring Cash:		
Depreciation Expense	14,932	14,465
(Increase) Decrease In:		
Grants and Contracts Receivable	(58,723)	64,519
Prepaid Expenses and Other Assets	642	(661)
Increase (Decrease) In:		
Accounts Payable	(2,462)	1,773
Accrued Expenses	15,977	(7,010)
Accrued Leave	8,507	4,045
Deferred Support	10,146	177,429
Net Cash Provided by Operating Activities	<u>258,507</u>	<u>570,633</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment		(12,152)
Net Cash Used by Investing Activities		<u>(12,152)</u>
Cash Flows from Financing Activities		
Payments on Long-Term Debt	(17,521)	(18,127)
Net Cash Used by Financing Activities	<u>(17,521)</u>	<u>(18,127)</u>
Net Increase in Cash	240,986	540,354
Cash at Beginning of Year	<u>1,258,836</u>	<u>718,482</u>
Cash at End of Year	<u><u>\$1,499,822</u></u>	<u><u>\$1,258,836</u></u>

The accompanying notes are an integral part of these financial statements.

Legal Aid of Arkansas  
Notes to Financial Statements

**Note 1: Basis of Presentation**

The organization is required to report information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions– Those resources over which the organization has discretionary control.

With Donor Restrictions - Those resources subject to donor imposed restrictions which will be satisfied by actions of the organization or passage of time or those resources subject to a donor imposed restriction that requires they be maintained permanently by the organization.

**Note 2: Summary of Significant Accounting Policies**

- A. **Operations** – Legal Aid of Arkansas is a nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons who are financially unable to afford legal assistance in northern Arkansas.
- B. **Grants and Contract Support** – The organization recognizes grant funds from Legal Services Corporation (LSC) and various other organizations as support on a straight-line basis over the contract period, and any remaining unused grant funds at year end are carried in the net assets. In accordance with LSC policy, the Organization may use unspent funds in future periods as long as expenses incurred are in compliance with the specified terms of the LSC grant.
- LSC may, at its discretion, request reimbursement for expenses or return of unexpended funds, or both, as a result of noncompliance by the organization with the terms of the grant. In addition, if the organization terminates its LSC grant activities, all unexpended funds are to be returned to LSC. Other support is provided by donations and interest income.
- C. **Donated Services** – Donated services represent services rendered by various attorneys and volunteers in northern Arkansas and office space made available at one location at no charge to Legal Aid of Arkansas. The value of the donated services is based upon the fee normally charged by the professional rendering the services and fair rental value of the office space. Donated services are recognized both as support and costs in the accompanying financial statements and, therefore, do not add to the net assets.
- D. **Cash and Cash Equivalents** – For the purposes of reporting cash flows, cash and cash equivalents include all cash on hand, deposited in financial institutions, or deposited in certificates of deposit. All of the available cash is readily accessible to cover any expenses during the next fiscal year.
- E. **Property and Equipment** - Property acquired with LSC funds is considered to be owned by Legal Aid of Arkansas while used in the program or in future authorized programs. However, Legal Services Corporation retains a reversionary interest in the property as well as determination of use of any proceeds from the sale of those assets.

The Organization follows the practice of capitalizing at cost all expenditures for property in excess of \$5,000 with a useful life of at least one year. Depreciation is computed on a straight-line basis over the estimated useful life.

The following useful lives have been assigned to the property and equipment:

Building	30 years
Furniture and Equipment	5 - 10 years
Leasehold Improvements	5 - 10 years

Legal Aid of Arkansas  
Notes to Financial Statements

**Note 2: Summary of Significant Accounting Policies (cont'd)**

F. **Deferred Revenue** – Funds received under exchange transactions for future use are deferred and recognized over the period to which the revenue relates.

**Note 3: Income Taxes**

Legal Aid of Arkansas is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no income tax provisions have been made. The organization annually files the form 990 tax return with the IRS. The tax years 2015, 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they are filed.

**Note 4: Commitments**

Legal Aid of Arkansas has entered into the following non-cancelable leases for building space:

<u>Location</u>	<u>Term</u>	<u>Annual Amount</u>
Harrison	Ends September 30, 2021	\$8,700
Helena	Month-to-month	\$5,700
West Memphis	Month-to-month	\$7,200

Rental expenses for the years ended December 31, 2018 and 2017, were \$23,373 and \$19,950, respectively. Future minimum lease payments under operating leases that have remaining terms as of December 31, 2018, are \$8,700 for 2019, \$8,700 for 2020, and \$6,525 for 2021. This includes the lease for the Harrison property.

**Note 5: Defined Contribution Plan**

The Organization adopted a 403(b) thrift plan beginning in 2009, covering all employees. Previously, the organization had a saving incentive match plan for employees (simple) covering full-time employees who earned over \$5,000. The Organization's contributions to the plan are determined annually by the Board of Directors. The rate of matching contributions was 5% and 3% for 2018 and 2017, respectively. Total contributions by the Organization in 2018 and 2017 were \$56,326 and \$33,047, respectively.

**Note 6: Estimates**

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

**Note 7: Client Deposits Held in Trust**

Client funds are maintained by Legal Aid of Arkansas in a separate bank account. These funds are required to pay for court costs and other expenses incurred while representing Legal Aid of Arkansas's clients.

**Note 8: Property and Equipment**

The following is a summary of property and equipment at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 8,000	\$ 8,000
Buildings	443,269	443,269
Furniture and Equipment	122,202	122,202
Leasehold Improvements	83,748	83,748
Total Property and Equipment	657,219	657,219
Less: Accumulated Depreciation	(394,815)	(379,883)
Property and Equipment, Net	<u>\$ 262,404</u>	<u>\$ 277,336</u>



Legal Aid of Arkansas  
Notes to Financial Statements

**Note 9: Private Attorney Involvement**

The private attorney involvement exceeded 12 1/2% requirement set forth by Legal Services Corporation in 2018 and 2017.

**Note 10: Long-Term Debt**

	<u>2018</u>	<u>2017</u>
5.0% note payable, payable in monthly payments of \$2,072, principal and interest through May 2022, at which time the remaining balance will be due, secured by real estate	\$ 173,312	\$ 190,833
Less: Current Portion	<u>16,575</u>	<u>15,678</u>
Total Long-Term Debt	<u>\$ 156,737</u>	<u>\$ 175,155</u>

The future scheduled maturities of long-term debt are as follows for the year ended December 31:

2019	\$ 16,575
2020	17,064
2021	17,937
2022	<u>121,736</u>
	<u>\$ 173,312</u>

Interest paid for the year ended December 31, 2018 and 2017, was \$9,415 and \$9,397, respectively.

**Note 11: Concentration of Funding**

Approximately 50% of the organization's funding is provided from grants from Legal Services Corporation for both years ended December 31, 2018 and 2017.

**Note 12: Contingencies**

During 2014, Newport Economic Development Commission (NEDC) agreed to pay \$13,800 for roof repairs to a building owned by Legal Aid of Arkansas that is located in Newport, Arkansas. The agreement with NEDC created a mortgage on the property for \$13,800 that will be forgiven annually at 10% through 2024. NEDC will only collect the mortgage if the property is sold by Legal Aid of Arkansas before the end of the ten years.

**Note 13: Net Assets With Donor Restrictions**

As discussed in Note 1, the funds received by certain funding sources are recognized when received, but will only be released from restriction upon meeting the stipulations by that funding source. Net assets with donor restrictions from property and equipment represent the net book value of the property and equipment that was purchased with funds that restrict the use of those assets to certain programs. The following is a schedule of net assets that remained temporarily restricted as of December 31:

	<u>2018</u>	<u>2017</u>
LSC -- Basic Field	\$ 119,883	\$ 62,476
Equal Justice Works -- Americorp		12
National Health Law Program	3,125	
Property	<u>24,472</u>	<u>29,189</u>
Total Net Assets With Donor Restrictions	<u>\$ 147,480</u>	<u>\$ 91,677</u>

Legal Aid of Arkansas  
Notes to Financial Statements

**Note 14: Subsequent Events**

Subsequent events were evaluated through February 21, 2019, which is the date the financial statements were available to be issued.

Legal Aid of Arkansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

Federal Grantor, Pass-Through Grantor and Program Title	Federal CFDA Number	Federal Expenditures
Legal Services Corporation - Basic Field	09.604020	\$1,500,238
U.S. Department of Justice		
Pass-Through Program from Arkansas Department of Finance and Administration (Office of Inter-Governmental Services) - VOCA	16.575	149,056
Pass-Through Program from Equal Justice Works: Crime Victim Assistance/Discretionary Grants	16.582	<u>31,085</u>
Total U.S. Department of Justice		180,141
U.S. Department of the Treasury		
Low Income Taxpayer Clinic Grant	21.008	60,000
U.S. Department of Health and Human Services		
Pass-Through Program from Arkansas Department of Human Services:		
Title IIIB	93.044	
Title IIIB (White River Area Agency on Aging)	93.044	2,444
Title IIIB (Northwest Arkansas Area Agency on Aging)	93.044	10,500
Title IIIB (East Arkansas Area Agency on Aging)	93.044	<u>35,000</u>
		47,944
Corporation for National and Community Service		
Pass-Through Program from Equal Justice Works: AmeriCorps	94.006	24,046
U.S. Department of Housing and Urban Development (HUD)		
Education and Outreach Initiatives	14.416	<u>84,769</u>
Total Expenditures of Federal Awards		<u>\$1,897,138</u>

Note 1: Basis of Presentation - The schedule of expenditures of federal awards (the schedule) includes the federal award activity of Legal Aid of Arkansas (LAA) under programs of the federal government for the year ended December 31, 2018. 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). Because the schedule presents only a selected portion of the operations of LAA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of LAA.

Note 2: Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rates - LAA has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Legal Aid of Arkansas  
Statement of Activities by Funding Source - Without Donor Restrictions  
For the Year Ended December 31, 2018

	Arkansas Filing Fees	Donations	Property	Total
Support				
Cash Donations	\$	\$ 136,072	\$	\$ 136,072
Other Support	250,214			250,214
Total Support	<u>250,214</u>	<u>136,072</u>		<u>386,286</u>
Expenses				
Personnel				
Salaries	79,172			79,172
Fringe Benefits	34,161			34,161
Other				
Professional Dues	6,666			6,666
Training and Travel	6,218			6,218
Local Mileage	4,555			4,555
Utilities and Janitorial		3,898		3,898
Office Supplies	5,630	2,251		7,881
Postage		426		426
Telecommunications		401		401
Repairs and Maintenance		5,005		5,005
Advertising		1,503		1,503
Miscellaneous		3,085		3,085
Interest	4,708	4,707		9,415
Depreciation			10,215	10,215
Total Expenses	<u>141,110</u>	<u>21,276</u>	<u>10,215</u>	<u>172,601</u>
Support over (under) Expenses	109,104	114,796	(10,215)	213,685
Payments on Long-Term Debt	<u>(17,521)</u>		<u>17,521</u>	
Change in Net Assets	91,583	114,796	7,306	213,685
Net Assets at Beginning of Year	<u>309,231</u>	<u>619,502</u>	<u>57,314</u>	<u>986,047</u>
Net Assets at End of Year	<u>\$ 400,814</u>	<u>\$ 734,298</u>	<u>\$ 64,620</u>	<u>\$1,199,732</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2018

	LSC Basic Field	VOCA	HUD/ Fair Housing	Medical Legal Partnership
Support				
Grants and Contracts	\$1,557,645	\$ 149,056	\$ 84,769	\$ 190,249
Donated Services	487,999			
Attorney Fees		1,500		
Miscellaneous				
Interest Income	6,606			
Total Support	<u>2,052,250</u>	<u>150,556</u>	<u>84,769</u>	<u>190,249</u>
Expenses				
Personnel				
Salaries	1,012,821	115,805	66,983	153,847
Fringe Benefits	162,815	21,186	13,561	27,228
Other				
Professional Dues	9,745			
Audit	15,000			
Insurance	24,778			
Contract Services	7,347			
Training and Travel	36,567	701	4,225	2,946
Local Mileage	42,123	10,654		3,295
Space Rent	22,573			
Utilities and Janitorial	24,367			
Office Supplies	45,810	1,833		2,421
Postage	12,865			
Telecommunications	49,040			
Library	14,397			
Repairs and Maintenance	14,151			
Litigation	5,829	377		462
Advertising	6,616			50
Donated Services	487,999			
Depreciation				
Total Expenses	<u>1,994,843</u>	<u>150,556</u>	<u>84,769</u>	<u>190,249</u>
Support over (under) Expenses	57,407			
Acquisition of Property				
Changes in Net Assets	57,407			
Net Assets at Beginning of Year	<u>62,476</u>			
Net Assets at End of Year	<u>\$ 119,883</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions (cont'd)  
For the Year Ended December 31, 2018

	Equal Justice Works - CVJC	Area Agencies on Aging	IRS-LITC	Arkansas Access to Justice Foundation Fair Housing
Support				
Grants and Contracts	\$ 31,085	\$ 47,944	\$ 60,000	\$ 85,521
Donated Services				
Attorney Fees				
Miscellaneous				
Interest Income				
Total Support	<u>31,085</u>	<u>47,944</u>	<u>60,000</u>	<u>85,521</u>
Expenses				
Personnel				
Salaries	26,092	40,733	60,000	53,589
Fringe Benefits	3,627	7,211		10,792
Other				
Professional Dues				
Audit				
Insurance				
Contract Services				3,015
Training and Travel				2,889
Local Mileage	1,016			7,375
Space Rent				800
Utilities and Janitorial				
Office Supplies	350			5,476
Postage				101
Telecommunications				
Library				1,484
Repairs and Maintenance				
Litigation				
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>31,085</u>	<u>47,944</u>	<u>60,000</u>	<u>85,521</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>



Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions (cont'd)  
For the Year Ended December 31, 2018

	United Way of			
	Northwest Arkansas Counties	Northeast Arkansas Counties	Greater Blytheville	Mid- South
Support				
Grants and Contracts	\$ 78,811	\$ 15,909	\$ 3,000	\$ 4,005
Donated Services				
Attorney Fees				
Miscellaneous				
Interest Income				
Total Support	<u>78,811</u>	<u>15,909</u>	<u>3,000</u>	<u>4,005</u>
Expenses				
Personnel				
Salaries	66,961	13,516	2,549	3,403
Fringe Benefits	11,850	2,393	451	602
Other				
Professional Dues				
Audit				
Insurance				
Contract Services				
Training and Travel				
Local Mileage				
Space Rent				
Utilities and Janitorial				
Office Supplies				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>78,811</u>	<u>15,909</u>	<u>3,000</u>	<u>4,005</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions (cont'd)  
For the Year Ended December 31, 2018

	United Way of			Equal Justice Works- Americorps
	Independence County	Boone County	IOLTA	
Support				
Grants and Contracts	\$ 3,000	\$ 2,500	\$ 282,729	\$ 19,046
Donated Services				
Attorney Fees			2,200	
Miscellaneous				5,000
Interest Income				
Total Support	<u>3,000</u>	<u>2,500</u>	<u>284,929</u>	<u>24,046</u>
Expenses				
Personnel				
Salaries	2,549	2,124	231,770	24,058
Fringe Benefits	451	376	41,030	
Other				
Professional Dues			341	
Audit				
Insurance				
Contract Services			555	
Training and Travel			4,313	
Local Mileage			5,587	
Space Rent				
Utilities and Janitorial				
Office Supplies			233	
Postage				
Telecommunications				
Library			900	
Repairs and Maintenance				
Litigation			200	
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>3,000</u>	<u>2,500</u>	<u>284,929</u>	<u>24,058</u>
Changes in Net Assets				(12)
Net Assets at Beginning of Year				12
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions (cont'd)  
For the Year Ended December 31, 2018

	National Health Law Program	Other	Property	Total
Support				
Grants and Contracts	\$ 58,333	\$ 14,400	\$	\$2,688,002
Donated Services				487,999
Attorney Fees				3,700
Miscellaneous		49,742		54,742
Interest Income		6,738		13,344
Total Support	<u>58,333</u>	<u>70,880</u>		<u>3,247,787</u>
Expenses				
Personnel				
Salaries	41,602	60,220		1,978,622
Fringe Benefits	7,489	10,660		321,722
Other				
Professional Dues				10,086
Audit				15,000
Insurance				24,778
Contract Services				10,917
Training and Travel	823			52,464
Local Mileage	3,966			74,016
Space Rent				23,373
Utilities and Janitorial				24,367
Office Supplies	1,018			57,141
Postage	297			13,263
Telecommunications				49,040
Library				16,781
Repairs and Maintenance				14,151
Litigation	13			6,881
Advertising				6,666
Donated Services				487,999
Depreciation			4,717	4,717
Total Expenses	<u>55,208</u>	<u>70,880</u>	<u>4,717</u>	<u>3,191,984</u>
Support over (under) Expenses	3,125		(4,717)	55,803
Acquisition of Property				
Changes in Net Assets	3,125		(4,717)	55,803
Net Assets at Beginning of Year			29,189	91,677
Net Assets at End of Year	<u>\$ 3,125</u>	<u>\$</u>	<u>\$ 24,472</u>	<u>\$ 147,480</u>



Legal Aid of Arkansas  
Statement of Activities by Funding Source - Without Donor Restrictions  
For the Year Ended December 31, 2017

	Arkansas Filing Fees	Donations	Property	Total
Support				
Cash Donations	\$	\$ 146,641	\$	\$ 146,641
Other Support	250,214			250,214
Total Support	<u>250,214</u>	<u>146,641</u>		<u>396,855</u>
Expenses				
Personnel				
Salaries	29,313	37,351		66,664
Fringe Benefits	32,292	5,618		37,910
Other				
Professional Dues	8,565			8,565
Contract Services		641		641
Training and Travel	4,023			4,023
Local Mileage	5,637	91		5,728
Utilities and Janitorial		1,491		1,491
Office Supplies	3,925	1,399		5,324
Printing		490		490
Postage		465		465
Telecommunications		259		259
Interest	4,699	4,698		9,397
Depreciation			10,620	10,620
Total Expenses	<u>88,454</u>	<u>52,503</u>	<u>10,620</u>	<u>151,577</u>
Support over (under) Expenses	161,760	94,138	(10,620)	245,278
Payments on Long-Term Debt	<u>(18,127)</u>		<u>18,127</u>	
Change in Net Assets	143,633	94,138	7,507	245,278
Net Assets at Beginning of Year	<u>165,598</u>	<u>525,364</u>	<u>49,807</u>	<u>740,769</u>
Net Assets at End of Year	<u>\$ 309,231</u>	<u>\$ 619,502</u>	<u>\$ 57,314</u>	<u>\$ 986,047</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2017

	LSC Basic Field	VOCA	Medical Legal Partnership
Support			
Grants and Contracts	\$1,469,531	\$ 116,555	\$ 181,204
Donated Services	646,435		
Attorney Fees	78,162		
Miscellaneous	24,822		
Interest Income	2,403		
Total Support	<u>2,221,353</u>	<u>116,555</u>	<u>181,204</u>
Expenses			
Personnel			
Salaries	1,011,643	90,788	149,414
Fringe Benefits	154,529	16,072	26,449
Other			
Professional Dues	8,130		
Audit	15,000		
Insurance	27,366		
Contract Services	8,115		
Training and Travel	31,187		973
Local Mileage	48,337	9,533	3,907
Space Rent	19,950		
Utilities and Janitorial	26,228		
Office Supplies	31,235	18	398
Printing	1,320		
Postage	13,120		
Telecommunications	53,059		
Library	15,205		
Repairs and Maintenance	20,881		
Litigation	6,671	144	63
Advertising	8,314		
Donated Services	646,435		
Depreciation			
Total Expenses	<u>2,146,725</u>	<u>116,555</u>	<u>181,204</u>
Support over (under) Expenses	74,628		
Acquisition of Property	<u>(12,152)</u>		
Changes in Net Assets	62,476		
Net Assets at Beginning of Year			
Net Assets at End of Year	<u>\$ 62,476</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2017

	AmeriCorps	Area Agencies on Aging	IRS-LITC	Arkansas Access to Justice Foundation Fair Housing
Support				
Grants and Contracts	\$ 43,528	\$ 58,628	\$ 60,000	\$ 35,613
Donated Services				
Attorney Fees		1,120		
Miscellaneous	13,920			
Interest Income				
Total Support	<u>57,448</u>	<u>59,748</u>	<u>60,000</u>	<u>35,613</u>
Expenses				
Personnel				
Salaries	49,606	50,762	60,000	30,257
Fringe Benefits	7,842	8,986		5,356
Other				
Professional Dues				
Audit				
Insurance				
Contract Services				
Training and Travel				
Local Mileage				
Space Rent				
Utilities and Janitorial				
Office Supplies				
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation				
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>57,448</u>	<u>59,748</u>	<u>60,000</u>	<u>35,613</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>



Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2017

	United Way of			
	Northwest Arkansas Counties	Northeast Arkansas Counties	Greater Blytheville	Mid- South
Support				
Grants and Contracts	\$ 87,816	\$ 15,909	\$ 3,000	\$ 3,916
Donated Services				
Attorney Fees				
Miscellaneous				
Interest Income				
Total Support	<u>87,816</u>	<u>15,909</u>	<u>3,000</u>	<u>3,916</u>
Expenses				
Personnel				
Salaries	74,592	13,516	2,549	3,327
Fringe Benefits	13,204	2,393	451	589
Other				
Professional Dues				
Audit				
Insurance				
Contract Services				
Training and Travel				
Local Mileage				
Space Rent				
Utilities and Janitorial				
Office Supplies				
Printing				
Postage				
Telecommunications				
Library				
Repairs and Maintenance				
Litigation	20			
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>87,816</u>	<u>15,909</u>	<u>3,000</u>	<u>3,916</u>
Changes in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2017

	United Way of			Equal Justice Works AmeriCorps
	Independence County	Boone County	IOLTA	
Support				
Grants and Contracts	\$ 4,000	\$ 2,000	\$ 282,744	\$ 25,002
Donated Services				
Attorney Fees			800	
Miscellaneous				5,000
Interest Income				
Total Support	<u>4,000</u>	<u>2,000</u>	<u>283,544</u>	<u>30,002</u>
Expenses				
Personnel				
Salaries	3,398	1,699	227,893	29,990
Fringe Benefits	602	301	40,342	
Other				
Professional Dues			356	
Audit				
Insurance				
Contract Services			1,820	
Training and Travel			5,782	
Local Mileage			6,497	
Space Rent				
Utilities and Janitorial				
Office Supplies			395	
Printing				
Postage			24	
Telecommunications				
Library				
Repairs and Maintenance				
Litigation			435	
Advertising				
Donated Services				
Depreciation				
Total Expenses	<u>4,000</u>	<u>2,000</u>	<u>283,544</u>	<u>29,990</u>
Changes in Net Assets				12
Net Assets at Beginning of Year				
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 12</u>

Legal Aid of Arkansas  
Statement of Activities by Funding Source - With Donor Restrictions  
For the Year Ended December 31, 2017

	National Health Law Program	Other	Property	Total
Support				
Grants and Contracts	\$ 4,167	\$ 15,225	\$	\$2,408,838
Donated Services				646,435
Attorney Fees				80,082
Miscellaneous				43,742
Interest Income		2,047		4,450
Total Support	<u>4,167</u>	<u>17,272</u>		<u>3,183,547</u>
Expenses				
Personnel				
Salaries	3,431	14,674		1,817,539
Fringe Benefits	627	2,598		280,341
Other				
Professional Dues				8,486
Audit				15,000
Insurance				27,366
Contract Services				9,935
Training and Travel				37,942
Local Mileage	109			68,383
Space Rent				19,950
Utilities and Janitorial				26,228
Office Supplies				32,046
Printing				1,320
Postage				13,144
Telecommunications				53,059
Library				15,205
Repairs and Maintenance				20,881
Litigation				7,333
Advertising				8,314
Donated Services				646,435
Depreciation			3,845	3,845
Total Expenses	<u>4,167</u>	<u>17,272</u>	<u>3,845</u>	<u>3,112,752</u>
Support over (under) Expenses			(3,845)	70,795
Acquisition of Property			12,152	
Changes in Net Assets			8,307	70,795
Net Assets at Beginning of Year			20,882	20,882
Net Assets at End of Year	<u>\$</u>	<u>\$</u>	<u>\$ 29,189</u>	<u>\$ 91,677</u>



Legal Aid of Arkansas  
Statements of Private Attorney Involvement  
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Support		
Grants and Contracts	\$ 194,720	\$ 186,177
Donated Services	487,999	646,435
Total Support	<u>682,719</u>	<u>832,612</u>
Expenses		
Personnel		
Salaries	131,118	122,042
Fringe Benefits	22,010	17,044
Other		
Professional Dues	270	
Insurance	656	964
Contracts	60	600
Training and Travel	3,475	7,893
Local Mileage	14,499	18,697
Space Rent	1,446	1,405
Office Supplies	8,962	4,631
Printing		74
Postage	887	1,544
Telecommunications	3,058	3,755
Library	1,038	1,071
Repairs and Maintenance	2,933	3,081
Litigation	2,116	1,112
Advertising	505	2,264
Miscellaneous	1,687	
Donated Services	487,999	646,435
Total Expenses	<u>682,719</u>	<u>832,612</u>
Support over (under) Expenses	<u>\$</u>	<u>\$</u>

# **Yoakum, Lovell & Co., PLC**

CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Legal Aid of Arkansas  
Jonesboro, Arkansas

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 of Arkansas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements, and have issued our report thereon dated February 21, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Legal Aid of Arkansas'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 of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Legal Aid of Arkansas'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 of Arkansas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

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

Benton, Arkansas  
February 21, 2019

*Yokum, Powell & Co., P.C.*  
Certified Public Accountants



# **Yoakum, Lovell & Co., PLC**

CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Directors  
Legal Aid of Arkansas  
Jonesboro, Arkansas

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

We have audited Legal Aid of Arkansas'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 of Arkansas's major federal programs for the year ended December 31, 2018. Legal Aid of Arkansas'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Legal Aid of Arkansas's major federal programs based on our audit of the types of compliance requirement referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Legal Services Corporation Office of Inspector General's *Audit Guide for Recipients and Auditors* (November 1996) and *2016 Compliance Supplement for Audits of LSC Recipients*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Legal Aid of Arkansas'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 of Arkansas's compliance.

### Opinion on Each Major Federal Program

In our opinion, Legal Aid of Arkansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

### Report on Internal Control over Compliance

Management of Legal Aid of Arkansas 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 of Arkansas'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 of Arkansas'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 the 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.

Benton, Arkansas  
February 21, 2019

*Yakum, Lovell & Co., P.C.*  
Certified Public Accountants

Legal Aid of Arkansas  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2018

There were no prior year audit findings.



Legal Aid of Arkansas  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

A. Summary of Audit Results

1. The independent auditors' report expresses an unmodified opinion on the financial statements of Legal Aid of Arkansas.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Legal Aid of Arkansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The independent auditors' report on compliance for the major federal award program expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in Part C. of this schedule.
7. The federal award program tested as a major program was the Legal Services Corporation (CFDA #09.604020).
8. The threshold for distinguishing type A and B programs was \$750,000.
9. Legal Aid of Arkansas was determined to be a high-risk auditee.

B. Findings - Financial Statements Audit

None Noted

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None Noted